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China Report

ECONOMIC AFFAIRS

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NEED FOR INGREDIENTS OF AN EQUITABLE PRICE SYSTEM EXPLAINED

Xiamen ZHONGGUO JINGJI WENTI [CHINA'S ECONOMIC ISSUES] in Chinese No 4, 20 Jul 85 pp 9-15

[Article by Xie Youquan [6200 0147 2938]: "A Chat About Establishment of an Equitable Price System"]

[Text] Establishment of an equitable price system is a major ingredient in the current reform of the economic system. But what is meant by an equitable price system, what are its criteria, and how does one establish an equitable price system? Does the establishment of an equitable price system mean it is also necessary to realize a stable price policy etc? Clarification of these questions is of major theoretical and practical significance for reform of the price system. This article intends to talk about some views on these questions.

I. What Is Meant by an Equitable Price System

Clarification of the meaning of an equitable price system requires, first of all, a clarification of the meaning of a price system.

As production has expanded and the standard of living has improved, the kinds of commodities found in China's socialist markets have steadily grown and there are no fewer than several tens of thousands of prices for them. Though the prices for these commodities are expressed in certain amounts of currency, they do not exist in isolation but rather are interrelated and mutually restrictive, producing an organically unified price system. A socialist price system is a reflection of socialist economic relationships. It forms a totality and is endowed with its own form and content. In terms of form, the price system in a socialist planned economy that is distinguished and symbolized by all sectors of the national economy is a price system that includes prices for industrial manufactures, for farm products, for construction materials and for transportation. The price system that is distinguished and symbolized by different links in the social reproduction process is a system formed from factory prices, state procurement prices, transfer prices, wholesale prices and retail prices. The price system that is distinguished and symbolized by the price control system forms a system that is made up of unified plan prices, floating prices, negotiated purchase and sale prices and country fair trade prices. This price system that is distinguished and symbolized by different kinds of prices is, in reality, only the form of the price system and not its real substance. The real substance of the price system is one of comparative commodities and different prices. The system of comparative commodities and different prices is, in and of itself, a reflection of the relativity of the prices of commodities. So called comparative prices of commodities means the proportional relationships formed among prices in the exchange of commodities. So called different prices for commodities means price differences occasioned in the process of circulation by the links in purchase and sales, the area of purchase and sales, the seasons of purchase and sales, and commodities quality. Marx said, "Prices symbolize the transformation that takes places in the exchange value of commodities in the process of circulation."(Footnote 1)("Marx:A Critique of Political Economy," p 50). However, "exchange value is manifested, first of all in the relationship or proportion of amounts of exchange of one commodity for another, and this proportion constantly changes with time and place."(Footnote 2)("Collected Works of Marx and Engels," Vol 23 p 49) But with the exception of different prices for different quality, various price differences result from transfers in time and space in the process of the circulation of a commodity. Some of the labor expended in this process "enters into the value of the commodities to a certain extent,"(Footnote 3) (Ibid., Vol 24, pp 156, 167) and though some of it "cannot be added to the value of the commodities,"(Footnote 4) (Ibid.) it has to be compensated out of society's social surplus product value.

Clearly, comparative price means the price comparison for different products and different price means the comparative price of the same product. Though the implications of the two differ, the separate consumption of the socially necessary amount of labor in the course of exchange has to be correspondingly compensated. This is a common ingredient in the aforementioned different types of price systems. Ordinarily, when we speak of price systems, we do not mean their form but their real substance, i.e., the system of commodities comparison and price differences. The equitable price system of which we speak means a system of equitable comparison and different prices. However, theoreticians hold different views as to what constitutes a price system. Some comrades hold that the so-called price system means unified plan prices, floating prices, negotiated purchase and sale prices and country fair trade prices. Whether commodities comparisons and different prices are equitable is not a question that is part of the price system per se because it results from what people do. Such a view shows not only a one-sided understanding of the meaning of the price system but also regards commodities comparisons and different prices as things arbitrarily set by people. It does not admit that they are reflections of value relationships. Obviously such a concept cannot be accepted.

Since an equitable price system is a system of equitable comparitive prices and different prices, its formation is not restricted solely by product value itself, but is also regulated by the relationship between supply and demand. This is to say that it has to reflect both value and the relationship between supply and demand. Relationships that reflect value and that reflect supply and demand are one and the same. A system of comparative and different prices that reflect both prices and the relationship between supply and demand is an equitable price system and is a symbol that the price system has become equitable. Formerly China's theoreticians and units engaged in actual work held two one-sided ideas about the need for prices to reflect both value and the relationship between supply and demand. One view emphasized only that prices had to be consistent with value, and it ignored or denied that prices also had to reflect the relationship between supply and demand. In their view, it was as though in the consideration of supply and demand relationships, prices could not be based on value without leading to chaos in the price system. In reality, exactly the reverse is true. To consider only value without considering the relationship between supply and demand will mean that prices will be unable to reflect value, making it impossible to produce an equitable price system. This is because prices are based on value, and prices change as the relation between supply and demand change, the two being synonymous and interdependent. The reason that price and value are synonymous is precisely the result of a tendency toward balance between supply and demand. Marx said, "Generally speaking, the value of all commodities can be realized only through constantly changing market prices tending to even out, and this evening out is the result of constant changes between supply and demand."(Footnote 5) ("Selected Works of Marx and Engels," Vol 2 p 197)

If the supply of a product is greater than demand, its price will drop. After it falls a certain amount, production will decrease and the price will go up again. Conversely, if demand for a commodity is greater than supply, the price will rise. After it has risen a certain amount, production will increase and the price will go down again. Therefore, observed in long-range terms, prices always fluctuate with value, demonstrating the tendency for prices to be synonymous with supply and demand. If one departs from definite supply and demand relationships, the role of the laws of value cannot operate. If one says the value of commodities is the basis for supply and demand relationships playing a role, then changes in the relationship between supply and demand, are precisely the form in which the laws of value will be manifested. Therefore, "CPC Central Committee Decisions on Reform of the Economic System," (hereinafter "Decisions") noted "readjustment of inequitable comparative prices in accordance with the need for exchange at equal value and changes in the relationship between supply and demand, lowering those that should be lowered and raising those that should be raised." This is precisely a need for all-round consideration of the laws of value.

The notion that prices reflect the relationship between supply and demand and not value is without foundation. Another view pits against each other the relationship between supply and demand and planned prices. It regards the relationship between supply and demand to be an alien force in the planned economy and a spontaneous factor that attacks planned prices. Consequently, in practical work, many restrictions are always placed on the effects on the planned economy of supply and demand relationships; planned prices are not allowed to readjust promptly as the relationship between supply and demand change. When this is done, superficially, planned prices seem very stable, but, in fact, this leads to a serious variance between prices and value. It conceals extremely unstable elements, and this is exactly how chaos in the price system is created. Certainly planned prices and free prices differ. Frequent readjustments cannot be made with every change in supply and demand factors, much less is it possible to let the market set price allowing the relationship between supply and demand to effect spontaneous regulation.

Nevertheless, within a certain period or when fairly great changes occur in the relationship between supply and demand, prompt reaction becomes necessary; otherwise, planned prices will lose their function as an effective means of regulation. On the issue of the relationship between supply and demand, it has to be realized that just as in the case of the value of commodities the difference between socialist and capitalist economies lies not in whether the relationship between supply and demand exists and plays a role, but rather in differences in the system of ownership, in servicing what production goal, and in whether or not there is a conscious use of supply and demand relationships throughout the whole society. Therefore, planned prices and supply and demand relationships are not mutually exclusive but are parts of a totality. Only when there is conscious reliance on value and the use of the role of supply and demand relationships that readjustment and formulation of planned prices can have a full economic basis and the price system be made equitable.

Certainly, one cannot go from one extreme to the other on the issue of handling the relationship between supply and demand. In view of the adverse effects created as a result of the neglect of supply and domand relationships in past work, and in view of the emphasis placed in Central Committee documents on the importance of supply and demand relationships, one cannot place supply and demand relationships in a decisive position and suppose that only a mechanistic price system that is regulated mostly through supply and demand relationships can be an equitable price system. Some documents have quoted a passage from "Das Kapital," Volume 3, Chapter 10 on supply and demand deciding price, and price deciding supply and demand, in turn, as a basis for their views. In fact, Marx maintained a critical attitude toward that passage. At the end of that passage, he denounced as a "confused notion" the ideas that "prices are decided by supply and demand while supply and demand are decided by prices, in turn."(Footnote 6)("Collected Works of Marx and Engels, " Vol 25 p 213, 202) This is the basis for prices, namely value, does not appear here. In that case, how can the relationship between the two be expressed accurately? Marx stated explicitly at a different place in the same chapter that "If we say that supply and demand regulate market prices or if we say clearly and unambiguously that regulation of market prices diverges from market value, in another way, market prices then regulate the relationship between supply and demand."(Footnote 7) (Ibid.) Clearly, stated unambiguously,it is not supply and demand that determine price, but rather that supply and demand regulate the divergence between price and value. In the formation of prices, it is wrong for us to neglect the important role of supply and demand relationship. Conversely, to place supply and demand relationships in a decisive position or, as some do, to put value off to the side and regard supply and demand relationships as the sole basis for price formation are both inconsistent with Marxist doctrine on the value of labor, and they are distortions of an equitable price system.

II. How To Establish an Equitable Price System

A considerable amount of tumult exists in China's price system today, with many commodities reflecting neither value nor the relationship between supply and demand. This is manifested primarily in no differences in price for different quality in the same product; inequitable comparable prices among different commodities, in particular, prices for certain mine products and for raw and processed materials tending to be low; and an inversion of procurement and market prices for major agricultural and sideline products, sale price being lower than procurement price, etc. Without reform of such an inequitable price system, it is impossible to assess accurately tne results of enterprises' production operations,nor can one guarantee either a smooth exchange of commodities between cities and countryside or be able to give impetus to technical progress or to making the make-up of production and consumption more rational. This state of affairs must inevitably create a tremendous waste of social labor and it can also seriously impede carrying out of the principle of distribution according to labor. Furthermore, that prices reflect neither value nor the relationship between supply and demand is the result of long-term neglect of and inability to understand correctly the role of price laws. Therefore, establishment of an equitable price system that makes comparative prices and different prices reflect both value and the relationship between supply and demand requires respect for the laws of value and conscious use of the regulatory role of the laws of value. The so-called regulatory role of the laws of value is essentially the role of the proportional distribution of social labor. This role, "positively cannot be abolished by a certain form of social production; only its outward form can be changed."(Footnote 8)("Collected Works of Marx and Engels," Vol 4, p 368) In a capitalist system, because the anarchic state of production holds a dominant position, such regulation can only be after-the-fact regulation, i.e., only as a result of falls and rises in prices is it possible to see with one's own eyes what society needs, how much is needed, and what is not needed."(Footnote 9) (Ibid., Vol 25, p 215,217,717,204) Consequently, such regulation must be manifested in a spontaneous form. The situation is different under socialism where the laws of value regulate both before and after the fact. The former is manifested in the form of conscious use; and though the later is largely spontaneous, it plays a role under guidance of state plans.

The so-called before-the-fact regulation of the laws of value means allowing the laws of value and the laws of national economic planned development to operate in combination to produce a suitable proportional distribution of total social labor in advance in accordance with social needs, the labor expended on a certain amount of various products thereby being able to become a component of society's total labor, bringing about an overall balance among production, supply and marketing to form an equitable price system based on value. Marx said, "In order for a product to be sold at its market value, that is to say in order to sell it in accordance with the necessary social labor it contains, the total amount of social labor consumed on the total amount of this product must correspond to the social need for this product, i.e., it must be commensurate with ability to pay and social need."(Footnote 10) (Ibid.) He also said, "Only when all products are produced in the proportions needed can they be sold. The quantitative limits of the portion of society's time that can be used in each special production field is nothing more than a manifestation of the further development of the whole laws of value, though the required labor time as used here contains another implication."(Footnote 11) (Ibid.) This tells us that application of the laws of value to dovetail supply and demand, and particularly to dovetail supply and demand of commodities in short supply is of extremely important significance in coordinating proportional relationships in the national economy and building an equitable price system. Certainly, once an equitable price system has been built, this is not something that can be done once and for all. This is because changes can take place constantly in social labor productivity rates and the supply and demand situation. After a certain period of time, it will again become necessary to make new readjustments to meet changed conditions. The relationship between supply and demand not only regulates divergences between prices and value, but can also bring about transpositions in production conditions when changes in supply and demand produce abnormal conditions. Consequently, as regards certain commodities in short supply such as raw and processed materials based on "differently set market values per se,"(Footnote 12) (Ibid.) value cannot be set in terms of ordinary weighted average consumption of labor, but must be regulated by the consumption of labor under poorer working conditions. This way of doing things both helps improve enthusiasm for enterprises' production operations and also helps handle the relationship between comparative and different prices. Of course, making the distribution of the amount of social labor used correspond with the size and make-up of society's need for a product is no easy matter. Given the levels of development of China's productivity and plan management, for a long time to come the formulation of state economic plans and planned prices will have to be elastic. In the past, because of neglect of and lack of adeptness in using the regulatory role of the laws of value, we became accustomed to relying solely on administrative fiat and plans of a directive nature to make the economy run. The result was frequent imbalance between supply and demand and planning being out of tune with realities. Supplies of some commodities were greater than demand so they piled up in warehouses for long periods of time without being sold. Supply of some products could not meet demand, so they were frequently out of stock and prices lost their function of effectively regulating production and circulation. This had to produce chaos in the price system.

Therefore, "The Decisions" pointed out that "Realization of a planned economy is not primarily the same thing as plans that are in the nature of directives. Plans in the nature of directives and plans in the nature of guidance are both specific forms of a planned economy." Henceforth, "steps will have to be taken to reduce the amount of planning in the nature of commands and to increase the amount of planning in the nature of guidance." Take agricultural and sideline products, for example. The state has ruled that beginning in 1985, except for specific items, no longer will any monopoly procurement or assigned procurement quotas be assigned to peasants, but rather fixed procurement on contract and market procurement will be instituted. Fixed procurement on contract is in the category of plans in the nature of guidance. Before spring plowing begins each year, the state signs contracts with peasants for the purchase at reasonable prices of specific amounts of agricultural and sideline products on the basis of society's needs and discussions with the peasants. This process not only helps carry out the principle of equality and mutual benefit, assuring peasants'self-determination in operations so that they will make arrangements consistent with state plans for the funds and the labor they have, but also helps cooordinate relationships between peasants and other sectors of the national economy. Fixed procurement on contract is a good way that relies mostly on the application of economic levers to realize state plan procurement quotas; it is a good form that brings into play the before-the-fact regulatory role of the laws of value. Of course, even for the small number of things that are purchased using plans in the nature of directives, the laws of value also have to be applied and the role of economic levers brought into play to ensure realization of state procurement plans.

Though the beforc-the-fact regulation of the laws of value "can only be in places in which production is subject to society's actual predetermined control,"(Footnote 13) (Ibid., p 205) that is to say attainment is possible only under socialism; nevertheless, because of the numerous economic forms existing in China at the present stage, the very great uneveness in economic development of separate areas, a commodity economy that is still very much undeveloped, and a level of productivity that is relatively low, in an overall sense, plus scientific planning needing improvement, major products included in the before-the-fact regulation of the laws of value must be limited only to those having a bearing on the national economy and the people's livelihood. If one becomes divorced from the realities of the national situation and aspires to include within the purview of before-the-fact regulation all product production and marketing activities, that would be unrealistic and unattainable. Therefore, bring about an overall balancing of production, supply and marketing throughout the whole society, not only does there have to be before-the-fact regulation by the laws of value, but also after-the-fact regulation by the laws of value for good control in major regards and a liberalization and enlivening in minor regards.

So-called after-the-fact regulation by the laws of value is what we ordinarily call market regulation. Most of what goes into market regulation is some agricultural and sideline products, small industrial commodities used in daily life, and products sold by enterprises and peasants themselves after fulfillment of state plan quotas. Such regulation contains a substantial amount of spontaneity; nevertheless, under guidance of state plan and as a result of fluctuations in the prices of commodities and market competition, it can make prices reflect sensitively changes in the relationship between value and supply and demand and cause workforces and the means of production to shift toward trades requiring development. Not only is this beneficial for the enlivening of the economy and increasing economic results from enterprises, but as a result of the rapid feedback of information from markets, it can play a definite role as reference for the formulation and regulation of planned prices. Therefore, "Decisions" pointed out that "Simultaneous with price readjustments, it will be necessary to change the overly centralized price control system, gradually reducing the scope of uniformly fixed prices while suitably expanding, to a certain degree, the scope of floating prices and free prices, thereby making prices more sensibly reflect social labor productivity rates and changes in market supply and demand relationships to be more in keeping with requirements for development of the national economy."

Of course, the after-the-fact regulation of the laws of value is secondary and subordinate to before-the-fact regulation; nevertheless, it is both necessary and beneficial. China is in the midst of using the regulation that overall balancing of economic plans and economic means afford to ensure the proportional coordinated development of the national economy. There has to be both a loosening and an enlivening with regard to commodities involved in market regulation and there also has to be an intensification of channeling and control. Loosening and enlivening does not mean abandoning all control.

In 1982, Comrade Chen Yun said emphatically that "Enlivening of the economy is enlivening under plan and not enlivening separated from plan guidance." He used a colorful simile in talking about enlivening the economy and the relationship between market regulation and guidance under state plan as follows: "This is like the relationship between a bird and a cage. A bird cannot be clutched in the hand. If clutched in the hand, it will die; it has to be allowed to fly. But it can only be allowed to fly in a cage for without a cage it will fly away." "Of course, the cage has to be of the right size. It should be as large as necessary."(Footnote 14) ("Chinese Financial and Trade News," 4 Dec 82) This advice holds important guiding significance for doing a good job of market regulation and making use of the after-the-fact regulatory role of the laws of value.

In short, only by respecting the laws of value and using the regulatory role of the laws of value is it possible to establish an equitable price system, thereby making it possible to regulate enterprises' economic activities in a large sense, assure the coordinated development of all kinds of enterprises and achieve the best socio-economic benefits.

III. Establishment of an Equitable Price System and Maintaining Basic Price Stability

Since establishment of an equitable price system requires conscious application of the laws of value, is maintenance of basic price stability in conflict with establishment of an equitable price system? In other words, in building an equitable price system, is it necessary to continue to carry out a stable price policy? Some comrades hold a negative view on this. They believe that that institution of a stable price policy has been a product of a specific historical period in China. During the period immediately following liberation, to overcome financial difficulties and turn around the rampant inflation, the state not only adopted important measures to centralize financial and economic work, but also instituted a stable price policy. This meant that no matter whether or not prices were fair at that time, the first job was to stabilize prices at their current levels and, once stabilized, to make various adjustments to certain unfair prices. After a period of comprehensive contrtol, prices that could not be brought down in old China were finally stabilized. Later on, inasmuch as the country had long pursued a low wage policy and since wages had not been frequently adjusted, stable prices became a basic policy consistently followed in price work so as to ensure security in the people's lives. The situation is different today. China is in the midst of reform of the economic system, with emphasis on urban areas. This includes reform of the price system and great application to the macroeconomy of economic levers to regulate production, to enliven the circulation of commodities and to guide consumption. Consequently, a stable price policy should no longer be followed. Moreover, institution of such a policy actually brings certain negative consequences in its wake. The tumultuous situation that exists today in the price system is attributable to to having pursued this policy for a long time. We believe that such a view merits discussion. Granted that there have been historical reasons for the country's long pursuit of a stable price policy; nevertheless, of greater importance has been the creation of conditions for a secure life for the people and the maintenance of enduring economic stability. Consequently, not only was it necessary to pursue this policy in the past, but it will also be necessary to continue this policy in the future. During the period of economic reform, in particular, the carrying out of this policy is of major importance. Premier Zhao Ziyang said in the government work report that he presented to the 3rd Session of the Sixth NPC that, "Long practical experience has shown that a policy of basically stable prices must be followed under socialism to avoid great price fluctuations; this is of extreme importance both to stable economic development and to social order. However, one should not perceive basic price stability to mean a price freeze or suppose that every change in prices must bring about a decline in the real standard of living. This is because it is completely normal for changes in prices of commodities to take place within certain limits as production costs and market supply and demand change. A look at the actual situation in China during the past several years shows that sensible readjustments and appropriate loosening up of prices, plus attention to bringing into play of the laws of value in combination with genuinely doing something about the relationship between price movements and rises in the people's earnings have not only benefited economic development, but has also helped improve livelihood and has been consistent with the fundamental interests of the people." Premier Zhao's statement has been a revelation on three points as follows: First, maintenance of basic price stability is a necessary condition for social order and economic growth. This has been fully demonstrated through practical experience in the building of Chinese socialism; thus it is a policy that must be pursued under socialism, not an expedient measure to be used during a certain historical period. In fact, not only we socialist countries but even capitalist countries regard stable prices as a prerequisite for a long-term, stable economic growth rate. They have taken various financial and economic actions such as tightening of money, raising interest rates, cutting back on investment in capital construction and controlling the supply of currency in an effort to stabilize price levels. The question is whether the job can really be done. Second, one should not perceive basic price stability to be a price freeze. We became accustomed to freezing prices in the past when carrying out real work, with the result that the people have confused price freezes with stable prices.

Actually, price freezes are only an extraordinary measure adopted for short periods of time to deal with a sudden situation. It positively cannot be a long-term policy. Long term freezing of prices are very bad for the development of production and the enlivening of the economy. Furthermore, price freezes cannot genuinely stabilize prices. On the contrary, they can only lead to prices departing seriously from value and are an element in increasing price instability. Therefore, maintenance of basic price stability means following the requirements of the laws of value, promptly raising or lowering the prices of commodities for which prices are inequitable or for which production costs and the supply and demand situation have changed substantially so as to have a solid base for making comparative prices for different commodities equitable and prices stable. Attention to stability without attention to adjustments is inconsistent with desires for basic price stability, and it also contravenes the dialectical method in the development of things. So long as we genuinely do something about the relationship between price movements and the rise in people's earnings when adjusting prices, it will be possible to advance the development of production and to improve livelihood. The two examples of tremendous readjustments by the state of procurement prices paid for all agricultural and sideline products in 1979, and rise in the market price of cotton cloth in 1983 simultaneous with a tremendous decrease in the market price of chemical fiber cloth both vividly demonstrated that price readjustments not only can lower standards of living but also that, as a result of price adjustments, the development of production is stimulated and supplies of commodities increase in markets, thereby improving lives more rapidly. Third,the price stability of which we speak is price stability founded on an equitable price system. Price stability founded on an equitable price system differs from price stability that is maintained mainly through reliance on government financial subsidies. Granted that reliance on government financial subsidies to bring about an inversion between purchase and sale prices making sale prices lower than purchase prices is necessary under specific circumstances and that it helps make livelihood more secure; nevertheless, such stability is founded on a distortion of price relationships and it unavoidably brings about certain negative consequences. This is precisely why we must make gradual solutions in the process of reforming the price system.

The tumultuous situation existing today in China's price system has been created largely as a result of the economic system having become rigid, and not the pursuit of a stable price policy. Last year's rise in the overall price level likewise was not, as some comrades suppose, a failure in the effectiveness of the stable price policy, but rather was brought about by so much currency having been issued that it exceeded actual needs for commodity circulation. Certain it is not that stable prices require no conditions at all; it is important that they have corresponding backing in financial and material resources. Within a short period of time immediagtely following the liberation we were able to tame prices that had run away like a wild horse precisely because we brought about a balance between government financial receipts and expenditures, and because we got hold of and sold large quantities of commodities to drive prices down. Granted that the situation today is different than during the period immediately following liberation; nevertheless, strict control over the issuance of currency, genuine control over the scale of capital construction, maintenance of balance between the supply of commodities and purchasing power, etc are all requisite conditions for bringing about basic price stability. There can positively be no lowering of our guard in this respect, because if we do, it will be impossible to provide the fine climate for reform of the economic system and establishing an equitable price system, or the progress of reform may even be adversely affected.

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GROUP MEETINGS CONTINUED--The deputies attending the Fourth Session of the Sixth NPC continued their group meetings 27 March. During their deliberation of Premier Zhao's report on the draft Seventh 5-Year Plan over the last 2 days, the deputies held lively discussions on questions concerning the reform of the economic structure. Han Peixin, a deputy from Jiangsu, said: Reform is a fundamental experience of China in economic development during the Sixth 5-Year Plan. Our persistence in reform will play a crucial role during the Seventh 5-Year Plan. Our organizational reform should keep pace with the reform of the economic structure. Government organizations should firmly change their management functions and improve their work style. Li Qingwei, a deputy from Shaanxi, said: Reform rid Shaanxi of two dependences during the Sixth 5-Year Plan. One was the lengthy dependence on other provinces for grain supply, while the other was the dependence on state financial subsidies for 35 years. Facts prove that we must persist in reform. Hei Boli, a deputy from Ningxia, said: Ningxia, an outlying region, began to open to the outside during the Sixth 5-Year Plan. Reform has made Ningxia's backward economy display unprecedented vigor. [Excerpts] [Beijing Domestic Service in Mandarin 1200 GMT 27 Mar 86 OW] /12858

CSO: 4006/930

GUANGDONG NPC DEPUTIES HOLD PANEL DISCUSSION

HK281523 Beijing ZHONGGUO XINWEN SHE in Chinese 1457 GMT 27 Mar 86

/Report by ZHONGGUO XINWEN SHE reporters Dai Yaping /2071 0068 1627/ and Chen Liyu /7115 4539 1342/: "'Do Not Regard the Beginning as Excessive'--Sidelights on Guangdong NPC Deputies at Panel Discussion"/

/Text/ Beijing, 27 Mar (ZHONGGUO XINWEN SHE)--Yesterday afternoon the Guangdong provincial NPC deputies held a panel discussion on Zhao Ziyang's report on the draft Seventh 5-Year Plan. Because Guangdong stands in the forefront of the country in opening up to the outside world and because the meeting was attended by such important figures as Ye Xuanping, Ren Zhongyi, and Liang Xiang, it aroused particular attention. Before the meeting opened, a dozen or so reporters spontaneously went to the meeting place of the departments directly under the provincial authorities to listen to the discussion. The meeting room was crowded with people.

After Zhong Ming, vice chairman of the provincial People's Congress Standing Committee, declared the meeting open, Ren Zhongyi, former first secretary of the provincial CPC Committee, was the first to speak. He said: I agree with Premier Zhao Ziyang's report. The seven major economic successes scored in the Sixth 5-Year Plan period are obvious to all. Before coming to Beijing, I visited some counties and cities in Guangdong Province, where I saw a scene of prosperity. "Naturally, people can find many shortcomings in our work in the Shenzhen and Zhuhai special zones. But don't forget that the two places were just an out-of-the way small town and a poor fishing village a few years ago. Now they have been built into relatively modern cities and they have imported a lot of advanced technologies and management expertise...."

Ye Xuanping entered the room quickly. Ren Zhongyi said to him: "You should have spoken first." Ye said: "I was just leaving for the meeting when I was intercepted by reports. I could not get away." He looked so helpless that everybody laughed.

Ren Zhongyi went on to say: Some problems have emerged in the course of our reform. This is just like extracting the teeth of a child. It will hurt for a few days but there is nothing serious. When new teeth grow, the child will grow well. Pointing at himself, he said: "Unlike me, a new tooth will not grow after the old one is extracted." A deputy consoled him by saying: "Never mind, you can still insert an artificial tooth." Ren Zhongyi added: "In short, the problems are the secondary and not the principal aspects. Do not regard the beginning as excessive."

In his speech, Xu Shijie, secretary of the Guangzhou City CPC Committee, used figures to illustrate his points: On average, every 100 households in Guangzhou have 144 sofas, 105 big wardrobes, 340 watches, 345 bicycles, and 110 television sets, 35 of which are colored ones. These show that the people's living standards have improved and that the consumption pattern has changed. A deputy added that the Guangzhou people are also rushing to purchase pianos and an "intense popular interest in study" has emerged among the young.

Governor Ye Xuanping speaks Mandarin with a slight Cantonese accent. He used Guangdong's achievements in economic construction over the past 5 years to corroborate Premier Zhao's appraisal of the country's achievements in the Sixth 5-Year Plan period. Over the past 5 years, Guangdong's gross social output value and gross value of industrial and agricultural production have increased at an annual rate of over 63 percent /as published/, sugar output by 100 percent, fruit by 270 percent, beer by 400 percent, and aquatic products by 70 percent. The export volume reached $2.9 billion in 1985....

Some deputies interrupted him by saying that vegetables and fish are much cheaper in Guangzhou than in Beijing. A deputy bantered: "In Guangzhou nobody wants dead fish but we always have dead fish in Beijing." Another corrected his remark by saying: "The guesthouse manager can prove that the fish we had at lunch today was fresh." An extremely lively atmosphere prevailed at the meeting place and there was no end of laughter.

Ye Xuanping had not finished speaking when it was time to adjourn the meeting. Zhong Ming asked him to talk again another day.

Before the meeting ended, Ye Xuanping told the other deputies that he would attend a meeting the following day to discuss the question of moving up the summer work schedule by 1 hour in order to conserve energy. The deputies considered this feasible. However, they deemed it necessary to take into account the question of taking concerted action with Hong Kong and Macao.

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CSO: 4006/926

ECONOMIC PLANNING

XINJIANG DEPUTY CPC SECRETARY VIEWS SEVENTH 5-YEAR PLAN

HK271137 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 19 Mar 86

[Excerpts] At the enlarged Seventh Plenary Session of the Third Regional CPC Committee, Tomur Dawamat, deputy secretary of the regional CPC Committee, explained the draft proposals on the Seventh 5-Year Plan for national economic and social development in the region.

Tomur Dawamat said that the draft proposals were formulated by the regional CPC Committee and people's government under the concern of the CPC Central Committee and State Council and with the help of relevant units, after repeated investigations, deliberations, consultations, and discussions over the past 2 years.

He gave a briefing on the main contents of the proposals and the basic tasks during the Seventh 5-Year Plan.

Tomur Dawamat said that to provide a good economic environment for the overall reform of the economic structure and to ensure the smooth progress of reforms in all fields, the proposals suggest that the average growth rate of the region's industrial and agricultural production during the Seventh 5-Year Plan should reach 8.6 percent. This rate is higher than the national average planned for the Seventh 5-Year Plan, but lower than the region's average of 11.4 percent during the Sixth 5-Year Plan. This growth rate dovetails the general target to increase the region's total industrial and agricultural output value at the end of this century by 460 percent, and corresponds with the principle of leaving some room while vigorously developing the economy. This growth rate can avoid the tendency of placing undue stress on a high growth rate, can maintain a fairly high growth rate under the premise of raising economic efficiency, and can avoid a sharp increase or decrease in economic development. The proposals suggest that the focus of the national economic and social development for the region during the Seventh 5-Year Plan be water conservancy, communications, energy, construction materials, and education. In accordance with the region's reality, the proposals focus local economic development during the Seventh 5-Year Plan on northern Xinjiang, in particular Hami, Urumqi, and Karamay. We must treat this as a foundation and gradually promote economic development in southern and western Xinjiang.

In conclusion, Tomur Dawamat said that the tasks during the Seventh 5-Year Plan will be glorious and arduous. Properly carrying out all work in the 5 years is of great importance to economic invigoration and a boom in the region. We must persistently implement the party's line, principles, and policies, unite with people of various nationalities, work with one heart and one mind, go all out to make Xinjiang strong, and fight for fulfillment of the Seventh 5-Year Plan.

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CSO: 4006/930

ECONOMIC PLANNING

HAINAN'S MENG QINGPING INTERVIEWED ON DEVELOPMENT PLANS

HK290354 Beijing ZHONGGUO XINWEN SHE in Chinese 1346 GMT 24 Mar 86

[Report by ZHONGGUO XINWEN SHE reporters Chen Liyu [7115 4539 1342] and Dai Yaping [2071 0068 1627]: "Hainan is Promising--An Interview With NPC Deputy Meng Qingping"]

[Text] Beijing, 24 Mar (ZHONGGUO XINWEN SHE)--After the case of reselling cars on Hainan Island happened, Lei Yu was dismissed from his post, and Meng Qingping succeeded him as the main responsible person of the government of the administrative region. He has also become an NPC deputy through a by-election. What is Hainan planning for its future development? What will it do during the period of the Seventh 5-Year Plan? Today, our reporters went to the place where the NPC deputies from Guangdong are living, which is located in the western suburbs of Beijing. They interviewed this new manager of Hainan. Meng Qingping, age 49, is from Heishan in Liaoning Province. He was transferred to work in Hainan's iron mine in 1961. He has worked as a miner, teacher, technician, engineer, deputy director, and director of the iron mine. Three years ago, he was transferred from Hainan's iron mine to work in the government of the Hainan administrative region, and his position was second only to Lei Yu. He is about 180 centimeters tall, and has a straightforward disposition as other northerners have. Although he left his native place many years ago, his accent has still not changed. With a heavy Liaoning accent, he started to talk: Hainan is located in the subtropical zone and is rich in natural resources. However, since Hainan is an isolated and uninformed island, we can give fullest play to its superiority only by opening it up to the outside world. Not long ago, Hainan suffered setbacks because of the cause of reselling cars and we have taken a warning from this incident. We have conscientiously summed up experience and drawn a lesson. In the future, we will carry out our development and construction in a more stable and proper way.

He added: During the period of the Seventh 5-Year Plan, or even longer, the guiding principle governing the construction of our island will be: "having our feet firmly planted on the island, tapping its potentials, stressing practical results, and gradually developing economic mechanisms with Hainan characteristics."

[Reporter] "What are Hainan's struggle objectives in the coming 5 years?"

[Meng] "According to our initial plan, during the Seventh 5-Year Plan, the average annual growth rate of the gross industrial and agricultural output value of the whole region will be 9.6 percent, which is slightly higher than the whole country and the whole province. With this growth rate, by 1990 our gross industrial and agricultural output value will be increased to 5.8 billion yuan from last year's 3.665 billion yuan, an increase of 200 percent over 1980. The gross agricultural output value will be 3 billion yuan, whereas gross industrial output value will be 2.8 billion yuan. This means that the previous situation 'gross agricultural output value is higher than gross industrial output value' will be basically changed. We are striving to divide the gross industrial and agricultural output value into halves so that our economic set-ups will increasingly become rational. By 1990 the whole island will earn $500 million in foreign exchange from tourism, so that tourism will become a main source of our national income and foreign exchange revenues."

[Reporter] "How will Hainan ensure the completion of the Seventh 5-Year Plan?"

[Meng] "First of all, we should concentrate our efforts on carrying out a number of key energy, transportation, communications, and tourism projects, fully ensuring high efficiency and quality. By 1990, we should strive to complete a natural gas power plant and the Haikou thermal power plant, generating 100,000 kilowatts and 200,000 kilowatts respectively. At present, we are discussing the possibility of carrying out projects to build the Daguangba hydropower station, with a total installed capacity of 250,000 kilowatts, and power transmission and transformation networks with a 220,000-volt capacity during the Seventh 5-Year Plan. As far as transportation is concerned, during the Seventh 5-Year Plan, we intend to build Fenghuang airport at Sanya, continue to complete the Haikou international airport extension project, establish the Hainan airline company, build a number of medium and small-sized ports, rebuild the main highway in the east, and install optical fiber for communications in the eastern part of the island. As far as basic industry is concerned, we are planning to build an iron and steel complex which can annually produce 250,000 tons of iron. We will also build a cement plant with a production capacity of 600,000 tons, and three sugar plants. Each of these sugar plants will be able to press 1,000 tons of sugar cane daily. . ."

The deepest impression which Hainan's new manager left with the reporters is that he has a surprisingly good memory. It seems as if a computer has been installed in his brain. He knows very well the acreage under rubber and its output, annual coconut and sugar cane output, the mineral reserves and output, and so on. He even knows the figures after the decimal points.

In conclusion, Meng Qingping said: "In February this year, central leading persons Zho Ziyang, Hu Qili, Tian Jiyun, and others carried out an inspection on Hainan and helped us solve a series of problems which we faced, including guiding thought, development strategy, specific methods, and so on, so that leaders at all levels on Hainan would be clear about their future direction, enhance their confidence, and see the future." His final conclusion is: "Hainan is promising!"

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ECONOMIC PLANNING

XINJIANG'S SONG HANLIANG AT NPC GROUP DISCUSSION

OW010815 Beijing XINHUA Domestic Service in Chinese 1323 GMT 30 Mar 86

[By reporter (Ha-di-er ma-mu-ti) and correspondent He Ruilan]

[Excerpts] Beijing, 30 Mar (XINHUA)--Song Hanliang, NPC deputy and secretary of the Xinjiang Uygur Autonomous Regional CPC Committee, said at a group discussion on Premier Zhao Ziyang's report on the draft Seventh 5-Year Plan: The goal of the Seventh 5-Year Plan set forth in the report is magnificent, and the measures and steps to achieve it are positive, proper, and feasible, We are fully confident and have great hopes in the bright future of our motherland.

He said: The tasks of the autonomous region during the Seventh 5-Year Plan will be arduous. It is necessary to strive to triple the autonomous region's total industrial and agricultural output value by 1990 and to build Xinjiang into an important base for our country's four modernizations. To achieve this goal, we must unswervingly carry out reform in depth, further straighten our economic relations in various fields, and fully arouse the enthusiasm and creativity of all enterprises and workers.

Song Hanliang said: In the spirit of consolidation, digesting, supplementing, and improvement, we should make further efforts to effectively solve salient problems in reform. In this regard, we are prepared to start with Urumqi City, grasp the central link of invigorating big and medium-sized enterprises, and promote reform of the economic structure in order to create conditions for comprehensive reform in the autonomous region. We firmly believe that we will be able to achieve our goal and that our future will be very bright provided we unswervingly implement the party Central Committee's line, principles, and policies and resolutely act according to the principles for construction laid down by Premier Zhao in his report.

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CSO: 4006/930

SICHUAN'S 1985 ECONOMIC, SOCIAL STATISTICS

HK150001 Chengdu SICHUAN RIBAO in Chinese 8 Mar 86 p 2

["Statistical Bulletin by Sichan Provincial Statistical Bureau on Fulfillment of Sichuan Province's 1985 Economic and Social Development Plan, Issued 4 March 1986"]

[Text] In 1985, under the leadership of the CPC Central Committee, the State Council, the provincial CPC Committee and the provincial people's government, the people of all nationalities in our province resolutely carried out the decision of the CPC Central Committee on the reform of the economic structure, the scientific and technological structure, and the education structure. The whole province further implemented the policy of invigorating the domestic economy and opening up to the outside world, strengthened macroscopic control, brought into play the coordinating role of economic levers, pushed forward the vigorous development of production and construction and basically coordinated the main proportional relations in the national economy so that both the urban and rural markets are brisk and prosperous, the intellectual development and the personnel training have been accelerated, people's living standards have been further improved, the Sixth 5-Year Plan has been overfulfilled, the party style and the general mood of the society have been further improved and great achievements have been made in the building of the socialist material civilization and the socialist spiritual civilization. According to preliminary statistics calculated on 1985 prices, the total provincial production output value in the year 1985 was 55.7 billion yuan, an increase of 11.3 percent over that of the previous year. (Footnote 1) (The total domestic output value refers to the value of products and labor service used by society and supplied by material productive departments and non-material productive departments, not including the value of products and labor service consumed by intermediate units.) The province's total social production output value in the year 1985 was 102.3 billion yuan, an increase of 14.3 percent over that of the previous year. (Footnote 2) (The total social output value is the sum of the total output value of agriculture, industry, the building industry, communications and transportation, and commerce (including the supply and marketing of materials and equipment and the catering trade). National income is the sum of the net output value of the above-mentioned five material producing departments. The gross domestic product, total product of society and national income listed in this paper were calculated according to that year's prices. Except where indicated that the calculation was based on that year's prices, the total industrial and agricultural output value; the total product of society and the total agricultural output value were all calculated according to the constant prices of 1980 and their increase rates were all calculated according to the comparable prices.) The province's national income in the year 1985 was 47.6 billion yuan, an increase of 11.7 percent over that of the previous year. In the year 1985, the total industrial and agricultural output value of Sichuan Province was 75.959 billion yuan, an increase of 13.2 percent over that of the previous year; the investment in the fixed assets of the enterprises owned by the whole people was 9.31 billion yuan, an increase of 58.2 percent over that of the previous year; the total turnover of social commodities was 27.43 billion yuan, an increase of 21.7 percent over that of the previous year.

I. **Agriculture**

In the year 1985, the vast rural areas of our province implemented the CPC Central Committee's Document No. 1, carried out the second-phase reform, made great progress in dismantling the system of unified purchase and unified distribution of farm products, implementing the system of contracted purchase, readjusting the production structure and some other aspects, and pushed forward with the development of the commodity economy. The province still reaped a good harvest in the year 1985, although it suffered comparatively serious national disasters. The rural economy became more prosperous and the income of the peasants greatly increased. In 1985, calculating by the prices of the same year, Sichuan's total social production output value in the rural areas was 44,877,000,000 yuan, an increase of 12.0 percent over that of the previous year. (Footnote 3) (The total rural social output value includes the gross output value of agriculture and the gross output value registered by collective and individually run rural industries, the building industry, transportation service, post and telecommunications service and commerce. The province's total agricultural output value was 30,539,000,000 yuan (based on 1985 prices, the province's total agricultural output value was 35,253,000,000 yuan), an increase of 9.0 percent over that of the previous year. This increase rate exceeded the increase rate of a percent required by the plan. If the industrial output value of the enterprises at or below village level is excluded, Sichuan's total agricultural output value for 1985 was 26,592,000,000 yuan, an increase of 3.2 percent over that of the previous year. The readjustment of the rural production structure achieved obvious results: The output value of the rural industry, construction industry, commerce and transportation accounted for 26.7 percent in the total social production output value in the rural areas in 1984. In 1985, the percentage increased to 32.5 percent. New changes also took place in the internal structure of agriculture and the proportion of the output value of forestry, animal husbandry, sideline production and fishery in the total agricultural output value was 44.9 percent, compared with 39.7 percent in the previous year. The proportion of the output value of the economic crops and other crops in the total output value of the crop cultivation industry increased to 31.5 percent from 27.3 percent in the previous year, but the proportion of the output value of grain crops in the total output value of the crop cultivation industry decreased.

In 1985, owing to a reduction of more than 6 million mu in cultivated land and the damage caused by natural disasters, the total grain output was 38,307,000 tons, a reduction of 2.49 million tons as compared with that of the year 1984. However, the year 1985 yielded the fourth best harvest in the history of our province. Except for the drop in cotton output due to the planned reduction of the cotton growing area, the year 1985 saw a big increase in all the main economic crops.

The output of the major farm products was as follows:

Item	1985	percentage difference compared with 1984
Grain	38,307,000 tons	- 6.1
of which: paddy	19,261,000 tons	- 5.3
wheat	6,255,000 tons	-11.0
Cotton	113,000 tons	-28.3
Oil crops	1,512,000 tons	28.1
of which: peanut	273,000 tons	12.0
rapeseed	1,228,000 tons	32.9
Sugar crop	2,654,000 tons	17.4
of which: sugarcane	2,642,000 tons	17.6
Jute and bluish dogbane	295,000 tons	84.9
Cured tobacco	59,000 tons	50.0
Coccon	107,000 tons	2.3
Tea	52,000 tons	7.1
Fruit	817,000 tons	14.2

In 1985, the province had 9,726,000 mu of afforested area, a decrease of 4.1 percent as compared with that in the year 1984, but new progress was made in planting trees in the rural areas and on barren hills and barren slopes.

Animal husbandry showed continued growth in 1985, because our province readjusted the buying and selling prices of live pigs, so the peasants became more enthusiastic about raising pigs, the pork output increased greatly, and pig-raising also increased steadily. In the meantime, at year end, the number of large animals increased, but the number of sheep decreased.

The output of the major livestock products and the number of the major livestock are listed as follows:

Item	1985		percentage difference compared with 1984
Output of pork, beef and mutton	2,831,000	tons	17.3
Pork	2,758,000	tons	17.9
Beef	41,000	tons	-1.9
Mutton	32,000	tons	1.9
Milk	219,000	tons	10.3
Wool	2,000	tons	2.4
Pigs slaughtered	44,691,000	head	15.4
Pigs in stock at year end	59,163,000	head	4.4
Sheep at year end	8,769,000	head	-6.5
Large livestock at year end	9,868,000	head	1.5
of which: Cattle	9,396,000	head	1.2

Fishery production also developed greatly. In 1985 output of aquatic products reached 129,000 tons, an increase of 24.0 percent over the previous year.

The town and township enterprises took new steps forward in 1985. Although they lacked funds and raw materials, town and township enterprises in our province conscientiously carried out the provincial CPC Committee's instruction on "seeking flexibility despite the short supply, improving quality despite reduced output, working in cooperation and tiding over difficulties." So the production of the town and township enterprises developed relatively fast in 1985. The total output value of town and township enterprises in 1985 was 14,416,000,000 yuan, an increase of 62.4 percent over that of the previous year. The development of our province's town and township enterprises has been playing an important role in using the natural resources of our province, invigorating the rural economy, increasing the income of the peasants and developing industrial and agricultural production.

The number of farm machines, power consumption in the rural areas and the consumption of chemical fertilizer all increased. By the end of 1985, the total power of the farm machinery in the rural areas of our province reached 12.51 million horsepower, 7.7 percent increase over the previous year; there were altogether 134,000 walking tractors and small tractors in the rural areas of our province, 7.2 percent increase over the 1984 figure;

there were 16,000 trucks in the rural areas, an increase of 45.7 percent over 1984; the total irrigation and drainage power in the rural areas was 3,388,000 horsepower, a reduction of 5.3 percent as compared with 1984; the consumption of chemical fertilizer in provincial rural areas in 1985 was 1,347,000 tons (according to the net consumption of chemical fertilizer), an increase of 3.4 percent compared with the previous year; power consumption in the rural areas in 1985 was 2.49 billion kilowatt-hours, an increase of 18.0 percent over that in 1984.

In 1985, our meteorological department continued to render a good service to agricultural production by increasing the accuracy of weather reports it issued.

Since its agricultural foundation is still relatively weak, our province was not strong enough to resist natural disasters and agricultural production could not develop in a balanced way in 1985. In some areas, crops were cultivated extensively. But some areas did not even pay enough attention to grain production.

II. Industry

In 1985, in our province's industry, we further implemented the system of replacing the delivery of profit with payment of taxes, simplified administration and delegated powers, so that the enterprises were further invigorated, technological progress was achieved, and horizontal economic cooperation was developed. We also established and popularized all kinds of economic responsibility systems and factory director responsibility systems and some other policy measures so that both heavy and light industry could continue to develop, energy production could develop steadily, and the economic results of our province's industry were increased.

In 1985, the annual total industrial output value of our province was 45.42 billion yuan (based on that year's prices the figures should be 49.2 billion yuan), which was 107.6 percent of the annual plan and an increase of 16.2 percent over that in 1984 (if the total industrial output value at or below village level was included, the figure should be 49.37 billion yuan, an increase of 19.4 percent over that in 1984). In the total industrial output value, the output value of enterprises owned by the whole people increased by 12.7 percent, the industrial output value of collective enterprises increased by 28.2 percent and the output value of individual industrial enterprises increased by 120 percent. At one point at the beginning of the year 1984, the industrial production grew a bit too fast, but after macroscopic control and coordination were exercised, the situation returned to normal at the beginning of the third quarter of the year.

The examination of the main industrial products of our province showed that the output of 68 products, including steel, coal, natural gas, electricity, cement, chemical fertilizer, internal-combustion engines, electric fans, textile products, hard liquor and so on, outstripped the planned output. These products accounted for 74.7 percent of the products examined by the provincial authorities. The output of 73 products, which accounted for 77.7 percent of the examined products, incresaed over that of the year 1984. Most of the products whose output did not meet the planned output were those whose supply exceeded the demand.

Light industry in our province showed toninued growth in the year 1985. The total output value of our province's light industry was 21.11 billion yuan, an increase of 13.2 percent over that in 1984, among which the output value of the food industry increased by 6.3 percent and that of the textile industry increased by 13.9 percent. The output of household refrigerators, washing machines, cassette recorders, electric fans, televisions, and some other high-class and middle-class consumer goods also showed a big increase in 1985. The output of wince, canned food, cigarettes, machine-made paper and other products whose raw materials were farm products also increased rapidly. There was a great variety of light industrial products.

The output of the main light industrial products was as follows:

Item	1985 Output	Percentage Difference Compared With 1984
Yarn	142,900 tons	15.7
Cloth	757,000,000 meters	10.2
Wool Fabric	2,872,700 meters	3.6
Textiles	65,610,000 meters	14.7
Tanned Leather (Cattlehide)	4,168,700 pieces	6.5
Machine-made Paper or Paperboard	641,300 tons	17.3
Sugar	193,300 tons	12.3
Wine	857,600 tons	19.8
Of Which Spirits	118,500 tons	120.0
Cigarettes	1,083,900 boxes	27.5
Salt	1,557,500 tons	4.5
Chemical Medicine	3,911 tons	3.7
Light Motorcycles	484,600	63.9
Bicycles	706,700	11.3
Sewing Machines	42,700	-71.9
Wristwatches	1,662,300	22.2
Television Sets	757,800	42.9
Of Which Color Sets	247,000	330.0
Cassette Recorders	272,500	110.0
Cameras	50,700	23.0
Household Washing Machines	650,100	39.3
Household Refrigerators	91,000	550.0

The heavy industrial production also developed relatively quickly in 1985. In 1985, the total output value of heavy industry in our province was 24.31 billion yuan, an increase of 18.9 percent, among which the output value of metallurgical industry increased by 10.8 percent, that of machinery industry by 27.3 percent and that of building industry by 25.5 percent as compared with those in 1984. The primary energy output (in terms of standard coal) was 51.35 million tons, an increase of 10.2 percent over that in 1984.

The output of main heavy industrial products was as follows:

Item		1985		Percentage Difference As Compared With 1984
Raw Coal		55.58	million tons	11.9
Natural Gas		5,636,000,000	cubic meters	0.8
Electricity		22,142,000,000	kilowatt-hours	10.8
of which:	Hydroelectric power	10,945,000,000	kilowatt-hours	11.6
	Pig Iron	3,184,600	tons	0.6
	Steel	3,926,900	tons	1.8
	Steel Products	2,868,300	tons	5.7
	Timber	4,223,800	cubic meters	-7.6
	Cement	10,192,200	tons	20.0
	Sulphuric acid	547,800	tons	-17.7
	Soda Ash	146,100	tons	6.4
	Caustic Soda	160,400	tons	6.3
	Chemical Fertilizer	1,351,500	tons	-6.5
(net output)				
Of Which:	Nitrogenous Fertilizer	1,163,700	tons	-1.1
	Farm Chemicals	5,157	tons	-26.6
	Power Generating Equipment (over 500 kilowatts)	1,200,400	kilowatts	0.7
	Machine tools	10,109	sets	15.3
	Vehicles	13,741		210.0
	Internal Combustion Engines	3,911,900	horsepower	37.3
(expressed in commodity terms)				

Thanks to the joint efforts of the army and the people of our province, our defence industry enterprises developed relatively fast. The total output value of civilian products in 1985 increased by 80 percent over that in 1984 and the proportion of the output value of civilian products in the total output value of our province's defence industry enterprises increased from 30 percent in 1984 to 44.3 percent in 1985.

In 1985, our province's industrial economic results also increased. The total per-capita labor productivity of the enterprises owned by the whole people was 11,858 yuan, an increase of 9.9 percent over that in 1984. The rate of the improvement of the quality of main industrial products reached 89 percent with 371 products winning the title of good-quality product. The sales income from products of the local state industrial enterprises covered by the budget increased by 17.6 percent over that in 1984. Their realized interest and tax increased by 18.4 percent, surpassing the 12.2 percent increase rate of total industrial output value of comparable enterprises. The coal consumed per 10,000 yuan of the total output value of major industries was reduced from 22.98 tons in 1984 to 20.85 tons in 1985. Great progress was made in saving energy.

At present, because the enterprises lack sufficient power supply and vitality and some of their products lack competitiveness, the prices of raw materials are high, enterprises have difficulties in digesting the raw materials, and the cost of products have increased, the normal production in the enterprises is in difficulties.

III. Investment in Fixed Assets, and the Construction Industry

In 1985, our province laid stress on major construction projects and the renewal and transformation of enterprises and further reformed the construction industry and the administrative structure of capital construction. The enterprises owned by the whole people in our province altogether invested 9.31 billion yuan in fixed assets, an increase of 3.43 billion yuan. Compared with that in 1984, the investment in fixed assets increased by 58.2 percent.

In the investment in the fixed assets of the enterprises owned by the whole people, the investment in capital construction was 5.04 billion yuan, an increase of 1.86 billion yuan or 58.6 percent compared with that in 1984. If the investment of 1.23 billion yuan, which was not included in the plan, was excluded from the total amount of investment, then in 1985, our province fulfilled 96.0 percent of the annual investment plan. Our province also fulfilled 1.78 billion yuan of investment, which was stipulated in the state budget. The figure showed an increase of 17.8 percent as compared with that in 1984.

In 1985, our province also increased its investment in major construction projects and investment in the construction of scientific and research projects, cultural and educational projects as well as urban construction projects. In the investment in capital construction, the investment in energy construction was 760 million yuan, up 12.2 percent over the previous year 1984; investment in transport and telecommunications was 510 million yuan, up 23.7 percent from 1984; investment in scientific and research projects and cultural and educational projects as well as health projects was 480 million yuan, an increase of 62.2 percent; investment in urban construction was 440 million yuan, up 230 percent from 1984. Our province invested altogether 1.28 billion yuan in 53 big and medium-sized construction projects required by the state plan and the investment basically met the requirements of the state plan. The extension of Chongqing special steel plant, Dukou and Hemenkou power plant, Chengdu telecommunication and cable plant, Sichuan chemical plant, the construction of the Chengdu-Chongqing electric railroad and the construction of Sichuan oil gas field and so on have already been completed according to the state requirements and have gone into operation.

The main new productive capacities which were increased as a result of the increase in the investment in capital construction in 1985 were: 480,000 tons of coal, 80,000 kilowatts of installed capacity of power generation units, 400 million cubic meters of natural gas, 248,000 tons of cement, 32,000 spindles of cotton, 271 kilometers of electric railroad, 920 kilometers of highway, 57.25 million cubic meters of reservoir storage and 268,000 places in schools.

The year 1985 saw a continued strengthening of the renewal and transformation of the present enterprises. The investment in the renewal and transformation of the enterprises owned by the whole people was 3.12 billion yuan, an increase of 1.22 billion yuan or 63.7 percent over that in 1984, of which the investment aimed at increasing the variety of products and improving the functions and quality of products increased by 107.7 percent. The investment aimed at comprehensively treating the three wastes and saving energy increased by 55 percent. In 1985, 3,683 projects whose renewal and transformation had been completed went into operation. This played an important role in bringing about technological progress in our enterprises.

Reform in the construction field continued to be carried out. In 1985, among nearly 10,000 projects built by the construction and installation enterprises owned by the whole people, 70 percent were built under the responsibility system under which specific blocks of buildings were contracted by inviting bidders and some other types of responsibility systems. The nubmer of construction and installation enterprises which implemented the system under which contracts were signed to fix the amount of wages for every 100 yuan's worth of finished work, increased from one-third of the total number of construction and installation enterprises in 1984 to two-thirds of the total number of such enterprises in 1985. The reform pushed forward with the development of the construction industry. So last year, the output value of the construction industry owned by the whole people throughout the province increased by 28.6 percent and the productivity per worker (calculated on the basis of the total output value of our province) increased by 29.8 percent.

However, in 1985, the scope of the investment in extra-budgetary capital construction was a bit too large, there were too many new projects, and there was a considerable drop in the returns from investment.

IV. Traffic, Posts and Telecommunications

In 1985, the provincial Traffic and Transport Department strengthened the organization and administration of transport work by carrying out reforms so that the volume of goods transported and the volume of passengers transported increased considerably.

The volume of goods transported by various means of transport in 1985 was 36.945 billion ton-kilometers, an increase of 9.8 percent compared with that in 1984. Of this total, the volume of goods transported by rail was 26.584 billion ton-kilometers, an increase of 11.5 percent; the volume of goods transported by highway was 3.562 billion ton-kilometers, an increase of 1.4 percent; the volume of goods transported by water was 6.782 billion ton-kilometers, an increase of 8.4 percent; and goods transported by air totaled 17 million ton-kilometers, a decrease of 4.4 percent, but the transportation of important goods was guaranteed.

The volume of passengers carried by various means of transport was 27.504 billion passenger-kilometers, an increase of 25.9 percent. The volume of passengers transported by rail was 10.554 billion passenger-kilometers, an increase of 22.5 percent; the volume of passengers transported by highway was 14.454 billion passenger-kilometers, an increase of 22.6 percent; the volume of passengers transported by water was 1.832 billion passenger-kilometers, an increase of 18 percent; the volume of passengers transported by air was 664 million passenger-kilometers, an increase of 20.9 percent.

The water transport department continued to attach great importance to transporting goods out of Sichuan and achieved marked successes in direct transportation by both the main streams and the tributaries, combined transportation by river and the sea, contracted transportation and so on. In the year 1985, the volume of goods transported out of Sichuan solely by the local water transport departments was 1,385,000 tons, an increase of 16.0 percent over that in 1984.

In 1985, Our province's posts and telecommunications continued to develop. The total business volume was 151 million yuan, an increase of 12.9 percent over that in 1984. The business volume of letters increased by 13.3 percent; the business volume of telegrams increased by 26.6 percent; and the business volume of long-distance calls increased by 15.6 percent. At the end of 1985, the number of telephones in the cities and the rural areas continued to increase. The construction of postal and telecommunications facilities in our province in 1985 still could not meet the demands of economic development and the increase in information volume.

V. Commerce, Prices, and the Supply and Marketing of Goods and Materials

Along with the reform of the circulation channels and the increase of the people's purchasing power, an open circulation structure with various channels, various economic forms, and fewer links was being formed, and the urban and rural markets were becoming more prosperous in 1985.

In 1985, the total volume of retail sales of social commodities was 27.43 billion yuan, an increase of 4,884,000,000 yuan or 21.7 percent over that of 1984. If the price rise factor was deducted, the actual increase in the total volume of retail sales was 13.9 percent. Of this number, the total volume of retail sales of consumer goods was 24,167,000,000 yuan, an increase of 4,705,000,000 yuan or 24.2 percent over that in 1984;

The total volume of retail sales of agricultural production means was 3,263,000,000 yuan, an increase of 179 million yuan or 5.8 percent over that of 1984. Compared with that of the year 1984, the volume of the social sales of the main consumer goods increased tremendously, for example, the volume of the social sales of edible vegetable oil in 1985 increased by 3.9 percent; that of pork increased by 8.1 percent; that of grain and woolen goods increased by 10 to 20 percent; that of silks and satins, televisions and cameras increased by 20 to 40 percent; and the volume of the social sales of electric fans, cassette recorders, washing machines and refrigerators increased by over 40 percent.

The turnover of commodities in various economic forms showed an increase in 1985. The individual economy developed rapidly. The 1985 turnover of commodities produced by the enterprises under the system of ownership by the whole people increased by 8.1 percent over that of 1984; the turnover of commodities produced by collective economy increased by 18.7 percent, of which the turnover of the commodities of the supply and marketing cooperatives increased by 9.7 percent over that of 1984; the turnover of the commodities produced by individual economy increased by 77.4 percent. The country fair trade further expanded with its business volume reaching 5,881,000,000 yuan, an increase of 26.3 percent over that of 1984. The 1985 business volume of the country fair trade was equivalent to 23.3 percent of the turnover of social commodities.

In 1985, in order to ensure good supplies on the market, the commercial department of our province actively organized various commodity sources. The commerce under the system of ownership by the whole people and the commerce of supply and marketing cooperatives bought altogether 20,686,000,000 yuan of commodities, an increase of 2,216,000,000 yuan or 12 percent over that in 1984. However, because of changes in the circulation channel of farm and sideline products in the year 1985, the commerce under the system of ownership by the whole people and the supply and marketing cooperatives bought only 7,986,000,000 yuan of farm and sideline products, a reduction of 48 million yuan or 0.6 percent when compared with that in 1984. Altogether they bought 12,569,000,000 yuan of industrial products, an increase of 2,235,000,000 yuan or 21.6 percent over that in 1984.

The year 1985 also saw a further reform of the province's commercial structure. Some 1,148 state retail enterprises were turned into enterprises owned by the state but operated by the collectives, an increase of 164 such enterprises as compared with the figure in 1984. In the meantime, a few enterprises were turned into enterprises owned by the collectives or were rented to individuals. Through the reform, the economic results of commercial enterprises were increased, the turnover period of the circulation funds of the provincial commercial department and its affiliated departments was reduced from 126 days in 1984 to 124 days in 1985, and profit from the sale of commodities calculated on 1 100-yuan basis increased by 46 percent over that of 1984.

Market prices generally went up in the year 1985. The retail price index increased by 6.8 percent over that in 1984, of which, the retail price index in urban areas increased by 9.6 percent and the retail price index in the rural areas increased by 4.9 percent, the total index of the buying price of farm and sideline products rose 6.7 percent: the cost of living index for workers went up by 9.5 percent, of which the index of the retail price of daily consumer goods went up by 9.6 percent and the index of the price of service items went up by 8.8 percent.

In 1985, the number of steel products sold by the goods and material supply and marketing department increased by 10.6 percent over that of 1984: the amount of cement sold increased by 2.4 percent; that of timber sold decreased by 2.9 percent; and because the goods and material supply and marketing department operated through various channels, the amount of coal sold by that department decreased by 10.6 percent. The circulation expenses of the goods and materials department decreased by 28.2 percent as compared with that in 1984; the turnover speed of circulating funds increased and the turnover period of circulating funds was reduced from 64 days in 1984 to 54 days in 1985.

In 1985, the main channel of the state commerce was not brought into full play. This situation could be seen in the rise in the price of vegetables, eggs, fruits, aquatic products and some other non-staple foods and the short supply of steel products and petroleum.

IV. Economic Cooperation, Foreign Trade and Tourism

The year 1985 saw new progress in economic and technological cooperation. In 1985, our province established economic, technological, and trade relations with 28 provinces, cities, and autonomous regions of our country. The various areas, departments and enterprises of our province carried out multi-channel, multi-level, and multi-form combinations and cooperation among themselves. Our province signed a total of 2,500 cooperation contracts, an increased of 1,281 such contracts of 89.5 percent over that in 1984. Among the contracts signed in 1985, economic cooperation projects increased by 111.1 percent, while technological cooperation projects increased by 76.8 percent. These increases greatly boosted the development of industrial and agricultural production and the various social undertakings of our province.

The total foreign trade value increased greatly in 1985. The total purchase of commodities for export reached 1.47 billion yuan, an increase of 29.9 percent over that in 1984. The total export value reached $349 million, an increase of 59.6 percent over that in 1984. Compared with that in 1984, the amount of textiles exported to foreign countries increased by 54 percent; that of livestock products increased by 90.3 percent; that of light industrial products increased by 60.4 percent; that of medicines increased by 84.3 percent; and metal products and mineral products exported to foreign countries increased by 125.7 percent.

In 1985, our province accelerated its speed in using foreign funds and carrying out external economic and technological cooperation. In that year, we signed a total of 80 contracts on using foreign funds, an increase of 42 such contracts over the 1984 figure. Our province altogether used $104 million of foreign funds, an increase of 91.9 percent over that in the previous year, our province signed a total of 316 contracts on importing advanced foreign technologies, an increase of 75 compared with that in 1984; contracts on importing advanced foreign technologies were worth $206 million, an increase of 10.4 percent. We also signed 63 contracts on providing labor services to foreign countries, worth $77.83 million.

Tourism in our province also developed very quickly in 1985. In that year, foreigners, overseas Chinese, Hong Kong and Macao compatriots and other tourists from more than 40 countries and regions in the world made 100,000 visits, an increase of 38.9 percent compared with the figure in 1984. The foreign exchange earnings gained from provincial tourism increased by 88.8 percent as compared with that in 1984.

VII. Science, Education, and Culture

Our provincial scientific and technological work made marked contributions to the building of the four modernizations in 1985. Natural scientific and technological research personnel made a total of 1,182 major scientific and technological achievements in their researches, an increase of 140 percent as compared with the number of such achievements made in 1984. Sixty-seven of these achievements were awarded state scientific and technological progress prizes and 29 were awarded state scientific and technological invention prizes. Some 332 achievements were awarded provincial scientific and technological achievement prizes. Some 11.7 percent of the total number of the scientific and technological achievements which won prizes reached international standard and 56.9 percent of the total number of the scientific and technological achievements which won prizes reached the advanced standard for our country. The application and spreading of quite a number of these achievements have helped to produce marked economic results. Social scientific research personnel also made contributions to our province's economic development strategy and the reform of our province's economic structure. Quite a number of the social scientific research achievements were given great attention by the leading organs of the provincial CPC Committee and the provincial people's government.

The reform of the educational structure in 1985 pushed ahead with the readjustment of that structure and accelerated the training of qualified personnel. There were altogether 4,757 postgraduates in the universities and colleges of our province in 1985, an increase of 1,908 people over the previous year. In 1985, 9 people received their doctorates and 749 people received masters degrees, an increase of 697 people over that in 1984; ordinary universities and colleges admitted 40,200 new students, an increase of 8,000 people as compared with the figure in 1984. There were altogether 112,800 students in the universities and colleges of our province, an increase of 19,200 people when compared with the 1984 figure.

Some 20,900 students graduated from the universities and colleges, an increase of 3,000 graduates as compared with the figure in 1984. The various adult higher learning institutions admitted 33,700 people for both 4-year courses and 3-year courses in 1985, an increase of 11,700 people; there were altogether 72,500 people in the adult higher learning institutions in 1985, an increase of 12,500 people; some 18,500 people graduated from the province's adult higher learning institutions in 1985. This figure was equivalent to 88.5 percent of the number of the graduates from the ordinary universities and colleges of the province in the same yar. In 1985, there were altogether 489,200 senior middle school students in the province, an increase of 43,200 students as compared with the previous year; in 1985, there were students as compared with the previous year, in 1985, there were a total of 3,390,200 junior middle school students in the province, an increase of 54,700 students over the 1984 figure; in 1985, there were altogether 117,200 students in provincial polytechnic schools, an increase of 13,100 students compared with 1984; there were a total of 64,000 technical school students, an increase of 31,000 students as compared with the 1984 figure; the 131,000 vocational (agriculture) school students in the province constituted an increase of 36,000 students; and there were altogether 79,600 people in the provincial adult polytechnic schools in 1985.

The work of making primary education universal made new progress in 1985. Fifty-six counties (cities and prefectures) throughout the province basically universalized primary education. The percentage of children of school age entering schools increased from about 93.7 percent in 1984 to 94.9 percent in 1985. In 1985, there were 14,276,000 primary school students and 1,130,100 kindergarten children in the province.

Our cultural and arts department, journalism and publication department and broadcast, movie and television department made great contributions to the building of the socialist spiritual civilization of our province in 1985. In that year, our provincial Sichuan Opera Troupe performed successfully in West Berlin during the "1985 Horizon Arts Festival." The province also held "The Joint Performance of Folk Dances and National Dances," and a number of excellent artistic works were produced, such as "the Death of Mingfeng," the Man Towing the Boat," "The Banbu Song," "The Joy of the Mute" and so on, of which the play "Ming" was awarded first prize in the 3rd international dancing competition.

In 1985, our province produced a total of 9 feature movies and released a total of 184 new movies, recorded 17 radio plays and videotaped 3 TV movies, three of which were awarded prizes when shown on the national day. In 1985, there were 6 radio stations in the province, which provided 11 programs a day, and 6 TV stations, which provided 6 programs a day. In 1985, radio and TV programs showed an increase in length as compared with those in 1984. In 1985, there were a total of 209 wired broadcast stations in the whole province; and 8,053 towns and townships installed broadcast amplifiers throughout the province in that year. In 1985 the province had 16,100 movie projection teams, 207 various kinds of troupes, 214 cultural centers, 115 public libraries, 31 museums and 239 archives; there were altogether 1.108 billion copies of local newspapers printed in the province, an increase of 12.9 percent over that in 1984; some 73.75 million copies of various magazines were published an increase of 24.3 percent as compared with 1984; some 1,848 books were published throughout the whole province, an increase of 12.7 percent over the figure for 1984.

VIII. Public Health and Physical Education

The conditions in hospitals and the sanitary conditions in general in our province showed some improvement in 1985. At the end of the year, there were altogether 187,400 beds in the various hospitals in our province, an increase of 3,700 beds as compared with the figure in 1984; there were some 283,900 medical workers in our province, of whom 123,800 were doctors and 46,100 were senior nurses and ordinary nurses. On average, there were 12.1 doctors for every 10,000 people.

The provincial physical education experienced new development in 1985 and mass sports activities were extensively carried out. In that year our province's athletes broke 2 Asian records, 13 national records and 81 provincial records, and also created one national record. In international competitions, our province's athletes received 34 various medals, an increase of 18 medals as compared with the figure in 1984. Our athletes altogether received 14 gold medals, 10 silver medals, and 10 bronze medals in international competitions. In national competitions, our athletes received a total of 133 various kinds of medals, an increase of 11 medals as compared with the year 1984, among which, there were 45 gold medals, 43 silver medals and 45 bronze medals. In 1985, our province held a total of 3,465 sports meets at or above county level, an increase of 1,313 sports meets at such level as compared with the figure in 1984. Attendances at these competitions totalled 740,000, an increase of 170,000 as compared with the figure in the year 1984; more than 2.78 million people reached the "state physical training standard," an increase of 690,000 people when compared with the 1984 figure.

IX. People's Livelihood

Along with the development of industrial and agricultural production, the livelihood of the people in urban and rural areas of our province showed a further improvement in 1985. In that year, the cities and towns in the whole province provided work to 278,000 people awaiting jobs. By the end of 1985, there were 8,334,000 workers in the enterprises under the system of ownership by the whole people and collective enterprises, an increase of 338,000 workers as compared with the year-end 1984 figure. In 1985, there was a total of 318,000 self-employed workers in the cities and towns throughout the province, an increase of 54,000 such workers as compared with the figure at the end of 1984. Salaries of the workers in the whole province totaled 8.4 billion yuan, an increase of 17.3 percent as compared with 1984. The average annual salary of a worker in province was 1,033 yuan, an increase of 13.3 percent as compared with 1984. According to sample investigations on 5,500 peasant households in about 55 counties (cities and prefectures) in the province, in 1985, the net average income of peasants was 315.07 yuan, an increase of 28.31 yuan or 9.9 percent as compared with that in 1984. Allowing for price increase, the real income of our peasants in 1985 increased by 6.9 percent. According to a sample of 2,150 households in 20 counties (cities), in 1985, the average per capita income available for living expenditures in the towns (cities) was 644.04 yuan, an increase of 18.5 percent when compared with that in 1984. With the factor of price rises taken into account and calculations made in terms of comparable items, the actual income of the workers increased by 8.2 percent.

By the end of 1985, savings deposits of people in urban and rural areas totaled 9,073,000,000 yuan, an increase of 2.45 billion yuan or 37 percent over that in 1984, of which, urban savings deposits amounted to 6,169,000,000 yuan, a net increase of 1,677,000,000 yuan over that in 1984 and the savings deposits of commune members in rural areas totaled 2,904,000,000 yuan, a net increase of 774 million yuan.

Social welfare undertakings continued to receive great attention in 1985. By the end of the year, there were 2,118 old folks' homes run by collectives in the rural areas, with accommodation for 20,398 old people, an increase of 5.1 percent compared to 1984, and 309 social welfare homes and childrens' homes in the cities and towns, with accommodation for 8,851 people, an increase of 21.8 percent as compared with 1984.

In 1985, life insurance and household property insurance experienced a further development. Some 3,286,700 people joined the life insurance program, an increase of 1,670 percent as compared with the figure in 1984, and the number of households joining the household property insurance program increased by 240 percent, which accounted for one-fourth of the total number of households in the whole province. The income from life insurance and household property insurance fees increased by 360 percent as compared with that in 1984.

X. Economy and Culture in the Areas Inhabited by Different Nationalities

In 1985, the areas inhabited by different nationalities in our province continued to carry out the reform of the economic structure, further relaxed policies, carried out horizontal economic contacts and boldly brought in foreign funds, technologies, and qulaified personnel. What is more, in 1985, the state also provided more funds for developing and constructing the areas inhabited by the minority nationalities in our province. So the social and economic undertakings in these areas continued to develop in 1985. The total industrial and agricultural output value of the three autonomous prefectures and seven autonomous counties of our province in 1985 reached 3.177 billion yuan, an increase of 7.8 percent over that in 1984.

Agriculture in the areas inhabited by different nationalities in our province continued to develop along with the readjustment of the rural production structure. The total agricultural output value of the areas inhabited by different nationalities in 1985 was 2.15 billion yuan, an increase of 7.5 percent as compared with that in 1984 (if the output value of the industries at or below village level was excluded, the total agricultural output value of these areas 1985 was 2,045,000,000 yuan, an increase of 4.6 percent). The production of crops, such as economic crops and the diversified economy, developed rapidly in 1985. The 1985 production output of sugarcane was 377,800 tons, an increase of 23.2 percent over that in 1984; production output of cured tobacco was 28,400 tons, an increase of 110 percent over that in 1984; output of oil crops was 37,200 tons, an increase of 28.7 percent over that in 1984. Because of serious floods and natural disasters as well as the decrease of the grain cultivation area because of the increase in the economic crops' cultivation area, the total grain output was 2,514,000 tons in 1985, a reduction of 177,000 tons as compared with that in 1984. By the end of 1985, there were 5,452,000 head of large domestic livestock in the areas inhabited by the different nationalities of our province, an increase of 3.9 percent over the 1984 figure which were 4,351,400 pigs, an increase of 1.6 percent. Milk production totaled 155,000 tons, an increase of 6.7 percent, pork, beef and mutton 173,800 tons, up 7.8 percent, and 6,535,000 head of sheep and 1,518 tons of sheep's wool were produced, a reduction compared with the 1984 figure attributed to the heavy snow in the spring of 1984.

Industrial production in areas inhabited by different nationalities in our province continued to develop amidst reforms. In 1985, the total industrial output value of these areas reached 1.027 billion yuan, an increase of 8.3 percent over that in 1984 (if the output value of the industries at or below village level was included, the total industrial output value of these areas was 1.132 billion yuan, an increase of 14.0 percent). The total light industrial output value reached 406 million yuan, an increase of 2.8 percent over that in 1984 and the total output value of heavy industry in these areas was 621 million yuan, an increase of 12.3 percent over that in 1984.

The living standards of people of all nationalities continued to improve in 1985. The total salaries of the workers in the enterprises under the system of ownership by the whole people and the collective enterprises reached 571 million yuan, an increase of 14.7 percent over that in 1984. The annual per capita salary of workers was 1,141 yuan, an increase of 134 yuan or 13.3 percent. The total salaries of workers in the enterprises under the system of ownership by the whole people reached 517 million yuan, an increase of 14.9 percent, and the annual per capita salary of workers in the enterprises under the system of ownership by the whole people was 1,191 yuan, up 13.9 percent. According to samples taken in 320 peasant households in Yajiang Huidong, Mianning and Wenchuan counties, the annual per capita net income of the peasants and herdsmen was 324 yuan, an increase of more than 20 yuan over that in 1984. Along with the increase in the incomes of the people and the increase in their purchasing power, in 1985, the total volume of retail sales of social commodities reached 1,564,000,000 yuan, an increase of 23.2 percent over that in 1984. The savings deposits of people living in urban and rural areas reached 522 million yuan at the end of 1985, an increase of 32.2 percent over that at the end of 1984.

The cultural, educational and public health undertakings continued to develop. At the end of 1985, there were 23,300 qualified medical workers, 16,500 hospital beds, and 1,909 various kinds of movie projection units in the areas inhabited by different nationalities in our province. In 1985, the various kinds of schools in those areas admitted a total of 231,000 students, of whom, 1,200 were university and college students, 3,300 were technical school students, 68,909 were secondary school students and 157,600 were primary school students. In 1985, there were 1,085,400 students in various kinds of schools in the areas inhabited by different nationalities in our province, among whom were 2,800 students in universities and colleges, 9,100 students in technical schools, 202,900 students in secondary schools and 870,600 students in primary schools.

XI. Population

According to a sample survey of 42 counties (cities and prefectures in the whole province, in 1985 the birth rate of our province was 15.39 per thousand, the mortality rate was 7.21 per thousand, and the natural growth rate was 8.18 per thousand. Even though the number of women at child-bearing age increased, the birth control work in our province still continued to achieve marked successes in 1985. According to statistics, the total population of our province at the end of the year was 101,875,000 people.

The year 1985 was the last year in the period covered by the Sixth 5-Year Plan. During the past 5 years, our province conscientiously implemented the spirit of the 12th party congress and the policy of readjustment, reform, reorganization and improvement so that our provincial economy continued to develop steadily at a high speed. Our province overfulfilled its Sixth 5-Year Plan and made great progress in economic and social developments.

In 1985, our province's total social output value, industrial and agricultural output value, and national income all outstripped the quotas set by the Sixth 5-Year Plan, and the average increase rate in the past 5 years surpassed the average increase rate in the 28 years between 1953 and 1980.

	Target Fulfillment for Final Year of Sixth 5-Year Plan Completed in 1985 (percentage)	Average Increase Rate During Sixth 5-Year Plan Period (percentage)	Average Annual Increase rate from 1953-1980 (percentage)
Total Social Output Value	143.5	10.2	7.5
Total Industrial & Agricultural Output Value	123.9	9.8	7.2
National Income	135.0	9.1	5.3

In 1985, our province's gross national product totaled 55.7 billion yuan, an increase of 57.3 percent over that in 1980, and the average annual increase rate of our province's gross national product during the period covered by the Sixth 5-Year Plan was 9.5 percent.

During the period covered by the Sixth 5-Year Plan, our province's industrial and agricultural production achieved marked success. In 1985, the province's total agricultural output value increased by 48.9 percent over that in 1980. The average annual increase rate of our province's agricultural output value during the period covered by the Sixth 5-Year Plan was 8.3 percent, topping the 3.4 percent, which was the average annual increase rate in the 28 years before 1980. In 1983, our province's grain production output topped 40 million tons, fulfilling the grain production quota set by the Sixth 5-Year Plan 2 years ahead of schedule. In 1984, the grain production output of our province reached 40.8 million tons, hitting an all-time high. Owing to the development of agriculture, our province had basically solved the problem of feeding and clothing its people by the end of 1985. In 1985, our province's total industrial output value increased by 68.3 percent as compared with that in 1980 (the average annual increase rate of our province's total industrial output value during the period covered by the Sixth 5-Year Plan was 11.0 percent). The primary energy output increased by 32.4 percent (in terms of standard coal) in 1985. The goods transport volume increased by 43.9 percent in 1985. That year also saw a continued development in industrial and communications production and the strengthening of the industrial base.

The output of most of the 68 main industrial and agricultural products listed in the Sixth 5-Year Plan outstripped the quotas set by the Plan, and the output of quite a number of products met the quotas set by the Sixth 5-Year Plan 1 to 3 years ahead of schedule during the period covered by the Plan.

	Percentage of Targets Set for Final Year of Sixth 5-Year Plan Completed in 1985	Accumulated Output During Sixth 5-Year Plan Period	Increase of Accumulated Output During the Sixth 5-Year Plan Over Accumulated Output During Fifth 5-Year Plan (percentage)
Grain	95.8	126.26 million tons	24.4
Cotton	125.9	548,000 tons	4.0
Oil crops	120.9	6,151,000 tons	124.0
Pork, beef and mutton	128.7	11,321,000 tons	--
Raw coal	132.3	230,100,000 tons	27.1
Natural gas	112.7	27.63 billion cubic meters	-2.5
Generated energy	117.8	94.57 billion kilowatt-hours	38.9
Steel	119.4	17.72 million tons	56.7
Cement	145.6	37.54 million tons	78.8
Chemical fertilizer	104.0	6,752,000 tons	40.0
Cloth	94.6	3.56 billion meters	39.9
Sugar	96.7	819,000 tons	27.7
Television		2,185,000	1,540.0
sets	151.6	5,847,000	470.0
Watches	118.7		

During the Sixth 5-Year Plan periods, the units under the system of ownership by the whole people in our province invested a total of 15.69 billion yuan in capital construction, an increase of 3.16 billion yuan or 25.2 percent over the figure during the Fifth 5-Year Plan period. At the same time, these units also increased their investment for the renewal and transformation of the units. This played an important role in carrying out expanded reproduction, pushing forward with the technological progress of enterprises and invigorating the economy of Sichuan.

Along with the reform of the urban and rural economic structures and the readjustment of the production structures in the urban and rural areas, the major proportional relations of the national economy of our province gradually become rational and the economic results of our province also increased. In 1985, the proportion of the total agricultural output value in the total industrial and agricultural output value increased from 37.2 percent in 1980 to 40.2 percent. During the period covered by the Sixth 5-Year Plan, heavy industry and light indsutry developed in a coordinated way with an average annual increase rate of 10.9 percent for light industry and 11.1 percent for heavy industry. The percentages of accumulation and consumption in the national income were maintained at 25 percent and

and 75 percent respectively. During the past 5 years, the average annual total social output value increased by 10.2 percent and the national income increased by 9.1 percent. The national income created per worker increased at an average annual rate of 6.4 percent.

During the Sixth 5-Year Plan period, the people's purchasing power in our province was greatly raised and people's living standards were also greatly improved. Compared with the situation in 1980, in 1985, our province's total volume of retail sales of social commodities increased by 80.6 percent; the peasants' net income increased at an average rate of 67.7 percent, when price hikes were factored in, the actual income of the peasants in 1985 increased 56.1 percent: the per capita income available for living expenditures of the people in the cities and towns increased by 79.1 percent and if cost of living rises are taken into account, the actual income of the people in the cities and towns increased by 50.6 percent.

During the period covered by the Sixth 5-Year Plan, our province's science, education, culture, public health, sports, press, broadcasting, movie, television and various other undertakings all developed greatly and rapidly.

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AGGREGATE ECONOMIC DATA

ZHEJIANG FULFILLS 1985 DEVELOPMENT PLAN

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/Communique on fulfillment of Zhejiang's 1985 national economic and social development plan--issued on 15 March 1986 by the Zhejiang Provincial Statistical Bureau/

/Text/ The people of all nationalities of Zhejiang Province, under the leadership of the CPC Central Committee, the State Council, the Provincial CPC Committee and the Provincial People's Government, conscientiously implemented the principles of invigorating the domestic economy and opening to the outside world in 1985. In the spirit of carrying out reform and making new progress, they carried out reform of the economic structure in an allround way and promoted national economic and social development. The total social product[1] came to 83.8 billion yuan, an increase of 29.1 percent over that of the previous year. Of this sum, the total output value of industry and agriculture was 72.3 billion yuan, an increase of 31.1 percent over the previous year. National income was 35.7 billion yuan, up 23.4 percent from 1984. The main targets of national economic and social development set by the "Sixth 5-Year Plan" were successfully fulfilled ahead of schedule. Owing to the continuous growth of production, markets were brisk, state revenues increased, and new progress was made in improving people's living standards in urban and rural areas. According to an initial estimate, the total value of Zhejiang's gross domestic product[2] was 38.6 billion yuan, an increase of 28.4 percent over that of the previous year.

This province's major problems in national economic development in 1985 were: Total demand exceeded total supply in society; the scale of fixed investments was too big, while investment patterns were unsatisfactory; energy and raw materials supply was short and transportation was strained; price hikes of commodities were excessive; and economic results could not keep pace with industrial production development.

1. Agriculture

In 1985 the province achieved significant progress in carrying out the second phase of reform in rural areas, centering on improving the system of centralized and assigned procurements and adjusting the production structure. The rural economy made progress by developing agriculture, forestry, animal husbandry, sideline occupations, and fishery in an allround way and operating agricultural, industrial, commercial, transportation, and construction work in a comprehensive manner.

The total rural product[4] was 44.4 billion yuan, an increase of 40.1 percent over 1984. Of this, the share held by rural industry, construction, commerce and transportation accounted for 61.3 percent as compared with 52.6 percent in 1984.

The total output value of agriculture was 27.6 billion yuan, an increase of 27.3 percent over the previous year. If the industrial output value of rural enterprises is deducted from this sum, the figure is 17.2 billion yuan, still a 4-percent increase over 1984. Of the total output value of agriculture, the share held by forestry, animal husbandry, fishery and sideline occupations increased from 37.1 percent in 1984 to 45.8 percent in 1985.

Relatively big adjustments were made in crop cultivation patterns. The total grain crop acreage decreased by 211,000 hectares as compared with the previous year. Due to natural disasters and the slackening of grain production in some localities, the total grain output was 16,212,900 metric tons, a decrease of 1,958,600 metric tons as compared with the previous high recorded in 1984. Among economic crops, with the exception of cotton and tea, whose output was less than in the previous year, most registered increases by greater margins. Cocoon and rapeseed output set alltime records.

The output of major farm products was as follows:

	1985	increase over 1985 (percentage)
grain	16,212,900 metric tons	-10.8
cotton	81,300 metric tons	-38.8
jute, ambary hemp	250,000 metric tons	22.7
tea	93,000 metric tons	-2.6
cocoons	84,600 metric tons	20.5
rapeseed	426,000 metric tons	30.4
sugarcane	1,100,500 metric tons	55.6
oranges, tangerines	285,400 metric tons	59.9

The forestry policy was further implemented, and family-run forest stations developed relatively fast. Areas afforested for lumbering purposes in 1985 increased 11.2 percent over the previous year. Among major forestry products, output of tea-oil seeds increased 57.3 percent over the previous year, output of Chinese tallow tree seeds decreased by 2.9 percent, and output of tung-oil seeds decreased by 16.4 percent.

Animal husbandry registered a slight increase. The output of milk, poultry, and eggs increased at a relatively fast pace. The number of pigs in stock at yearend began to increase, but the number of cattle and sheep continued to decrease.

The output of major animal byproducts and the number of livestock are as follows:

	1985	Increase over 1985 (percentage)
prok, beef, mutton	766,400 metric tons	11.3
pork alone	755,700 metric tons	11.5
milk	105,300 metric tons	16.5
pigs by yearend	13,687,700 head	3.2
cattle by yearend	761,400 head	-2.9
sheep by yearend	1,762,000 head	-11.0

Fishery production continued to develop. The total output of aquatic products in 1985 was 1,048,200 metric tons, an increase of 10 percent as compared to the previous year. Among them, the output of marine products rose 6.9 percent and that of freshwater products increased 31.3 percent.

The number of farm machines and total power consumption increased. By the end of 1985, the aggregate power capacity of Zhejiang's farm machines had reached 10,995,000 horsepower, an increase of 8.4 percent as compared with the previous year. The number of hard-operated tractors was 185,000, 10.8 percent over that of 1984. The number of trucks for agricultural use totaled 8,002, an increase of 27.3 percent as compared with 1984. Irrigation and drainage equipment totaled 1.84 million horsepower, an increase of 2.4 percent over 1984. A total of 711,000 metric tons of chemical fertilizer was applied during the year, an increase of 0.01 percent over 1984. The total consumption of electricity in rural areas was 4.02 billion kwh, an increase of 25.2 percent over 1984.

Meteorological departments in this province further improved their weather forecasting work and raised their level of scientific research, making new contributions to agricultural production and other fields.

2. Industry

In 1985 the province made steady progress in reforming the industrial structure and further invigorated industrial enterprises. Owing to the strengthening of macroeconomic control and regulation, the speed of industrial production gradually slowed down from the second half of 1985. The total industrial output value for 1985 was 44.7 billion yuan, an increase of 33.1 percent over the previous year. If added to the output value of rural industry and by villages and lower-level units, the total figure is 55.1 billion yuan, a 39.7-percent increase over 1984. Of the total industrial output value, the output value of state-owned industry increased 14.9 percent over the previous year, that of collectively owned industry in cities and towns grew 42.3 percent, collectively owned industry in the rural areas grew 61.2 percent, individual industrial enterprises in urban and rural areas grew 225 percent, while industries of other kinds of ownership expanded their output value by 47.8 percent. The output of 51 of the 61 major industrial products under the state plan met or topped state quotas. The output of 10 major industrial products under the state plan did not meet state quotas, including chemical fertilizer, insecticides, sugar, cameras, and small tractors.

The total output value of light industry in 1985 was 27.3 billion yuan, an increase of 31.1 percent as compared with 1984 and accounting for 61.1 percent of the total industrial output value. The variety of light industrial products increased, and the output of high- and medium-quality durable consumer goods and that of fine famous-brand products all increased by a great margin. This played an important role in stabilizing the market. However, production still could not meet the growing demand of consumers for some of these products.

Output of major light industrial products is as follows:

	1985	Increase over 1984 (percentage)
Cotton yarn	157,600 metric tons	22.2
cloth	874 million meters	23.0
silk	12,200 metric tons	11.8
silk products	339 million meters	20.3
woolen piece goods	13.4 million meters	48.2
machine-made paper and paper board	534,600 metric tons	39.3
sugar	28,900 metric tons	-25.7
cigarettes	875,100 cases	8.7
beer	346,400 metric tons	53.7
chemical pharmaceuticals	3,493 metric tons	25.9
bicycles	1,697,100	17.2
sewing machines	685,200	8.2
wristwatches	706,600	40.7
TV sets	1, 83,000	143.5
of which color sets	41,900	720.0
recorders	363,500	64.0
cameras	40,600	1,220.0
household washing machines	1,172,000	42.6
household refrigerators	249,200	176.4

The 1985 heavy industrial output value was 17.4 billion yuan, an increase of 36.7 percent over 1984 and accounting for 38.9 percent of the total industrial output value. Output of electric power and industrial raw materials increased by a relatively big margin but energy and raw materials supply was still insufficient to meet demand.

The output of major heavy industrial products was as follows:

	1985	Increase over 1984 (percentage)
coal	1,506,200 metric tons	1.3
electricity	13,203 million kwh	13.7
crude oil	1,889,100 metric tons	2.1
steel	541,000 metric tons	6.9
rolled steel	633,900 metric tons	14.5
coke (machine produced)	341,000 metric tons	-3.3
timber	775,300 cubic meters	3.4
cement	7,999,200 metric tons	28.1

	1985	Increase over 1984 (percentage)
sulphuric acid (100 percent)	276,300 metric tons	-2.1
caustic soda	49,200 metric tons	13.6
chemical fertilizers	521,000 metric tons	0.1
chemical insecticides	21,000 metric tons	-47.8
tires	394,700	13.8
power-generating equipment (over 500 kw)	82 sets	20.6
	167,700 kw	80.9
machine tools	9,400	49.8
motor vehicles	8,104	86.8
large, medium tractors	500	25.0
small tractors	31,200	0.3
internal-combustion engines (commercial products)	2,420,200 horsepower	37.6

Industrial economic efficiency improved but was still unsatisfactory. In 1985 the per-capita labor productivity of state enterprises with independent accounting systems was 1,794 yuan, an increase of 9.8 percent over the previous year. The energy consumption for every 10,000 yuan of industrial output was 2.92 metric tons, a decrease of 12.31 percent as compared with the previous year.

State-operated industrial enterprises turned in a total of 3,155 million yuan of profits and taxes, an increase of 18.1 percent over 1984. The declining trend in the quality of products was basically corrected. The rate of increase in quality of some major items under inspection and examination reached 84.7 percent, an increase of 0.2 percent over 1984. However, the production cost of comparable items rose 6.2 percent and the amount of deficit of those enterprises with financial losses increased. The turnover period for working funds increased to 101 days, 4 days more than in 1984.

3. Investment in Fixed Assets and the Building Industry

In 1985, total investments in fixed assets in urban and rural areas of this province came to 8.935 million yuan, an increase of 2,446 million yuan or 37.7 percent as compared with 1984. Of this total, the investment in fixed assets by state enterprises was 3,951 million yuan, an increase of 44.8 percent over 1984. The investment in fixed assets by collective enterprises in urban and rural areas was 2,471 million yuan, and the investment in fixed assets by individuals in urban and rural areas was 2,513 million yuan. Of the investment in fixed assets by state enterprises, 2,625 million yuan was used for capital construction, an increase of 55.1 percent. Of this amount, 572 million yuan was covered by the state budget, an increase of 8.3 percent over 1984; 386 million yuan was obtained through domestic loans, an increase of 63.6 percent over 1984; and 1,511 million yuan came from their own funds and other sources, an increase of 82 percent.

Construction of key projects was stepped up. Among the investments for capital construction, 509 million yuan was used for building the energy industry, an increase of 39.5 percent; 242 million yuan was used for communications, postal, and telecommunications facilities, an increase of 13.1 percent; and 326 million yuan was used for scientific research, cultural, educational, and public health work, an increase of 52.3 percent. Good progress is being made in building 37 key construction projects of the state and the province, with a total of 682 million yuan invested, accounting for 99.29 percent of the annual investment plan. A total of 617 million yuan was invested in Ningbo and Wenzhou, two coastal cities opening to the outside world, an increase of 48.3 percent over 1984.

In 1985 a total of four large and medium-sized projects and eight single items attached to large and medium-sized projects were completed and put into production. All the planned large and medium-sized projects and single items were completed and put into production on schedule. Capital construction in 1985 resulted in an increase of 1.968 billion yuan in fixed assets, and the rate of utilization of these assets was 74.7 percent, a 7.8-percent increase over 1984. The large and medium-sized projects and single items completed in 1985 will increase generating capacity by 490,000 kilowatts, expand the freight-handling capacity of ports by 1.44 million tons, increase chemical fiber output by 5,000 tons, and cement output by 90,000 tons. A total of 206.21 km of roads completed in the same year. In addition, buildings with a floorspace of 1,011,800 square meters were completed for use by scientific, cultural, educational, and health departments. The key projects completed and put into production include the Taizhou Power Plant's No 3 and No 4 generating units, the Zhenhai Power Plant's No 3 generating unit, the Yuyao chemical fiber plant, with a capacity of 4,000 tons of manmade fibers, the Hangzhou Iron and Teel Plant's No 15 converter, and the Hangzhou air-entrained cement plant.

The pace of upgrading existing enterprises through technical transformation was stepped up. State-owned enterprises in 1985 invested a total of 1.316 billion yuan for equipment replacement, technical updating, and other fixed assets, an increase of 287 million yuan, or 27.9 percent, over 1984. Of this, 1.117 billion yuan was used for equipment replacement and technical updating, an increase of 35.9 percent. Of this amount, 602 million yuan was used to increase product variety and output, an increase of 66.3 percent over 1984; 136 million yuan was used for conserving energy, raw and semifinished materials and for upgrading product quality, an increase of 16.2 percent over 1984.

Further progress was made in reforming management in the building industry and in capital construction. Of the province's building and installation enterprises, 80.2 percent introduced various forms of contract systems. Such a system was introduced in 3,955 projects, accounting for 44.6 percent of the total number of projects under construction. Nineteen large and medium-sized projects came under the investment contract system. For the design and construction of some projects, a contract bidding system was introduced. Reform boosted economic results. The total output value of state-run building enterprises in 1985 reached 673 million yuan, an increase of 35.2 percent over 1984. Per capita labor productivity rose 29.9 percent over 1984.

Geological surveying work registered new achievements in 1985. Tunnelling footage completed in the year totaled 130,004 meters, an increase of 20,070 meters over 1984. Verification of new reserves of some major minerals was completed on schedule.

4. Transportation, Posts, and Telecommunications

Under the impact of the current reform, various transportation departments adopted various measures to raise their shipping capacity, resulting in a satisfactory fulfillment of their tasks. The province's transportation departments handled 25.68 billion ton-km of goods in 1985, up 10.4 percent from 1984. Of this, railways handled 13.25 billion ton-km, a 3.8-percent increase, trucks handled 2.9 billion ton-km, an increase of 25.1 percent; ships and boats handled 10.34 billion ton-km, up 17 percent. The volume of cargo handled at major seaports was 25.105 million tons, up 30.6 percent over 1984.

The gross volume of passenger transport was 18.53 billion person-km, a 17.4-percent increase over 1984. Of this, railways handled 7.52 billion person-km, up 12.7 percent. The volume of road passenger transport was 9.52 billion person-km, an increase of 23.8 percent. The volume of waterway passenger transport was 1.49 billion person-km, up 4.9 percent, and that of air passenger transport was 1.45 billion passengers, up 39.4 percent over 1984.

Transportation services improved considerably in 1985 as a result of structural reform. The transportation departments made further efforts to raise railway, highway, and waterway transportation efficiency and encouraged collectives and individuals to engage in transportation businesses. This played an important role in easing transportation strains in the province.

Postal and telecommunications work showed a relatively big development. Total business volume in 1985 was 195 million yuan, a 22.2-percent rise over the preceding year. The increase in mail handling was 18.3 percent; newspaper and periodical distribution, 9.8 percent; telegrams, 37.2 percent; and long-distance telephone calls, 31.5 percent. By yearend, the number of urban telephone subscribers was 104,000, or 16.3 percent more than by the end of the preceding year, and the number of telephone subscribers in rural areas was 58,000, or 14.9 percent more than by the end of the preceding year.

Better economic results were achieved by transportation, postal, and telecommunications departments. Operational revenues of state-owned transportation enterprises in the province came to 518 million yuan for the year, up 12.7 percent compared with the preceding year, and their profits amounted to 81 million yuan, up 9.5 percent. The turnover rate of working capital was 16.8 days less than that for the preceding year. The amount of profits registered by postal and telecommunications enterprises was 72.4 percent more than in the preceding year. Despite these improvements, the gap between our transportation, postal, and telecommunications work and the needs of economic development continues to widen at present, making the situation increasingly strained.

5. Domestic Commerce and Materials Supply and Marketing

Both urban and rural markets were brisk. In 1985, commodities purchased domestically by state-owned commercial units and supply and marketing cooperatives in the province totaled 16.18 billion yuan, up 13.4 percent compared with the preceding year. Their retail sales totaled 19.78 billion yuan, a 32.6-percent increase over the preceding year. If increases in retail prices are taken into account, the actual growth in the volume of retail sales was 16.3 percent. Of commodity retail sales, the amount for consumer goods was 15.55 billion yuan, up 33.4 percent above the preceding year, while that for means of agricultural production was 2.55 billion yuan, an increase of 9.5 percent. The following shows changes in retail sales of main consumer goods compared with the preceding year: Grain down by 3.4 percent, vegetable cooking oil up 18.5 percent, pork down 7.7 percent, eggs up 13.6 percent, sugar up 26.1 percent, alcoholic beverages up 19.4 percent, cotton cloth up 19.7 percent, synthetic fabrics down 4.7 percent, woolen textiles up 26.6 percent, silk fabrics up 21.3 percent, woolen yarn up 17.9 percent, bicycles up 29.3 percent, sewing machines down 7.1 percent, wristwatches up 35.3 percent, electric fans up 120 percent, television sets up 100 percent, tape recorders up 180 percent, washing machines up by 2.2 times, and refrigerators up by 6.7 times.

There was a gradual change in the commercial structure in the direction of a multichanneled structure with few intermediate links. Commodity circulation was further invigorated. By the end of 1985, among the small state-owned retail stores, restaurants, and service-trade enterprises in the province, 1,431 had been transferred to management by collectives while they were still owned by the state, 477 were transferred to ownership by collectives, and 270 were leased for operation by individuals. A total of 2,345 trade fairs were held in urban and rural areas, compared with 2,241 in the preceding year. Their transactions totaled 4,403 million yuan for the year, or 63.5 percent more than in the preceding year. Retail sales registered by all kinds of economic units rose by a relatively big margin. Retail sales made by units owned by the whole people rose 12.5 percent, by collective-owned units 29.5 percent, by units jointly owned by the whole people and by collectives 28.6 percent, and by private stores 85.1 percent. Retail sales made by peasants to nonagricultural residents showed a 81.8-percent rise.

In 1985, a successful step was made in price reform. This stimulated the development of production but resulted in too big rises in market prices. In general, the procurement prices of farm and sideline products in 1985 were 10.8-percent higher than in the preceding year. As a whole, the retail price level was up 14.0 percent compared with the preceding year. If we look into the price rises in different areas, those in cities and towns rose 15.2 percent, and those in rural areas rose 12.9 percent. As far as different categories of commodities are concerned, retail prices of foodstuffs showed fairly big rises: Prices of vegetables rose 41.1 percent; meat, poultry, and eggs 28.8 percent; aquatic products 130 percent, and fruit 34.6 percent. The rise in the prices of books, newspapers, and periodicals was 20.5 percent. Rises were also noted in the retail price of clothing, daily necessities, stationery, and recreational equipment. Living expenses of staff and workers for the year showed a 15.1-percent increase. The prices they paid for consumer goods were up 15.2 percent, while their expenses for various services rose 13.9 percent.

Both buying and selling in the means of production market were brisk in 1985, with more means of production not covered by plans being supplied to meet demands. Total procurement by material supply departments in the province rose 68.3 percent over the previous year while total sales rose 61 percent.

Coal sales rose 2.7 percent; rolled steel, 66.2 percent; timber, 100 percent; and cement, 14.3 percent. The circulation cost rate of material supply departments dropped 1.7 percent from the previous year and the turnover period for fixed-quota turnover funds was shortened by 15 days.

6. Foreign Trade and Tourism

Foreign trade relations were further strengthened. The province's total foreign trade procurement was 2.48 billion yuan in terms of planned prices, overfulfilling the annual plan by 12.9 percent and accounting for an increase of 5.4 percent over the previous year. The total value of commodities exported by the province on its own was $940 million, up 27.2 percent over the previous year. The total value of directly imported goods was $185 million, up 230 percent over the previous year.

In 1985 the province used $70.25 million of foreign funds, 160 percent more than in 1984. Contracts for 85 Chinese-foreign joint-venture or cooperative enterprises were officially signed during the year, with a 20-percent increase over the previous year in total investment.

The tourism industry continued to develop. In 1985, 273,000 visitors from 117 countries and regions came to the province on tours, visits, and all kinds of exchanges, up 28 percent over the previous year. They include 178,000 foreigners, a 33.7 percent increase over 1984, and 95,000 overseas Chinese and Chinese compatriots from Hong Kong and Macao, an increase of 18.5 percent. The foreign exchange income from this source was valued at $24.5 million, a 55.3-percent increase over the previous year.

7. Science, Education, and Culture

Science and technology played an important role in serving economic construction. In 1985, the province achieved results in 930 natural science research projects, received 2 states prizes for inventions and discoveries, and 40 state-level prizes for scientific and technical progress. The ranks of scientists and technicians also continued to swell. By the end of 1985, 210,000 natural science professionals and technicians were employed in state-owned enterprises, 118,000 more than in the previous year.

Education also benefited from structural reforms. Institutions of higher learning in the province enrolled 1,275 students in 1985, 692 more than in the previous year. There were 2,290 postgraduates, 784 more than in 1984, and 463 postgraduates got their degrees, 414 more than in 1984. Universities and colleges reformed the system of enrolling students and assigning graduates, with some of them introducing the system of enrolling from and assigning to some target area. They enrolled 19,000 students for regular and special courses in 1985, 4,000 more than in 1984, and had a total student body of 52,700, 7,800 more than in the previous year. The ratio between regular course students and special course students was 1.63 to 1 last year as compared with 1.98 to 1 in the previous year. Last year 11,000 students graduated from these institutions, 1,900 more than in the previous year. Adult higher education indstituions enrolled 15,900 students, 3,800 more than in the year before.

The number of students studying in these institutions totaled 39,800, an increase of 4,300 over the previous year. Graduates from these schools totaled 9,700.

Reform of the secondary education structure was further deepened. Secondary schools had an enrollment of 1,904,100 students last year, an increase of 152,500. Vocational and technical schools equivalent to senior middle schools had 125,100 students; their proportion to the total number of senior middle schools students increased from 27.8 percent in 1984 to 33.1 percent in 1985. There were 202,000 students studying at adult secondary technical schools, and 38,200 students at adult middle schools.

Progress was made in popularizing primary school education. In 1985 there were 3,849,100 pupils in primary schools. The attendance rate of school-age children was 98.1 percent. Some localities began to introduce 9-year compulsory education. There were 654,100 children in kindergartens, 47,600 more than in the previous year. Consierable headway was made in education for the blind, deaf, mute, and mentally retarded.

Cultural establishments, the press, radio, and television all made new contributions to developing socialist culture and ethics. In 1985, the province produced 1 feature film and 5 scientific education and documentary films, and 167 new full-length films were released. The province produced 20 television dramas in 58 parts, and 7 radio plays in 15 parts. There were 5,592 film projection units, 126 performing art troupes, 93 cultural clubs, 76 public libraries, 21 museums, and 87 archives. In addition, the province had 8 broadcasting stations, 39 transmitting and relay stations each with a capacity of more than 1,000 watt, 27 television stations at and above the county level, 13 television transmitting and relay stations each with a capacity of more 1,000 watt, and 77 broadcasting stations at and above the county level. Some 596 million copies of newspapers, 58 million copies of magazines, and 260 million books and pictures were published last year.

8. Public Health, Sports

Medical and health conditions steadily improved. The number of hospital beds in the province was 72,100 at the end of 1985. Professional health workers numbered 113,300, including 44,000 doctors and 17,000 nurses, an increase of 2.6 percent and 3.03 percent, respectively.

The province's athletes won 74 gold medals, 41 silver medals, and 27 bronze medals last year in major national, Asian, and world games. The province sponsored 2,087 sports meets at the county level or higher, with 338,500 persons participating. Sports became more popular all over the province.

9. Living Standards

Living standards in both cities and the countryside improved. A sample survey of rural households in the province showed an average annual per-capita net income of 548.6 yuan, an increase of 102.2 yuan, or 22.9 percent, over the previous year. If price hikes are factored in, real income increased 13.3 percent. Of the per-capita income, 492.4 yuan was net income from production, showing an increase of 24.3 percent over the previous year.

A sample survey of urban residents showed an average 839.5 yuan spent for living expenses per capita in 1985, up 36.2 percent over the previous year. If price hikes are taken into account, the real per-capita income rose 18.3 percent. Because of the relatively higher price hikes, the real income of some low-income families with fewer persons employed and more mouths to feed dropped somewhat.

In 1985, 102,000 people in the province found jobs in urban areas, of which 11.7 percent received pre-employment training. The number of people employed in urban areas was 4,387,000 by the end of 1985, an increase of 266,000 over the previous year. They include 4,266,000 workers and staff, an increase of 241,000 and 121,000 self-employed workers, 25,000 more than in the year before. Annual wages of workers and staff[4] in 1985, totaled 4,785 million yuan, up 34 percent over the previous year. The average annual cash wage for workers and staff was 1,159 yuan, up 26.9 percent over the previous year. The actual increase in workers' wages stood at 10.3 percent if cost of living increases are factored in.

Urban and rural savings deposits increased by a wide margin. By the end of 1985, individual bank savings of urban and rural residents amounted to 6.77 billion yuan, an increase of 36.6 percent.

Housing for both urban and rural dwellers improved. The average per-capita housing area for urban dwellers was 8.4 square meters while that for rural dwellers was 22.1 square meters.

More attention was paid to social welfare services. Rural collective units provided for 6,000 elderly, disabled, and orphans who had no other means of support. There were 579 old folks' homes in the countryside. In addition, 22 social welfare institutes in urban areas provided for 1,900 children and other people.

10. Population

By the end of 1985, the province had 40,296,000 people, 365,000 more than the 1984 yearend figure. The birth rate was 12.61 per thousand, the mortality rate was 60.5 per thousand, and the natural growth rate stood at 6.56 per thousand.

FOOTNOTES

1. Total social product is the sum total of output value of agriculture, industry, building industry, communications and transportation, and commerce departments, including the supply and marketing of materials and equipment and the catering trade. National income is the sum total of net output value of the above-mentioned five material-producing department. All figures for total output value, national income, and gross domestic

product listed in this communique are calculated in terms of 1985 prices, and the rate of growth over the previous year is calculated for comparable prices.

2. Gross domestic product refers to the sum of output value created by all society's departments, including the value created by material-producing departments and the net income of nonmaterial productive departments as well as the depreciation funds of fixed assets. The figure cited in this communique is calculated in terms of Chinese items /kou jing 0656 1777/, and does not include the fourth level /ceng ci 1461 2945/ of tertiary industry. If calculated in terms of foreign items, the figure will be 38.9 billion yuan.

3. Total rural product includes the agricultural output value registered by state, collectively, and individually run agriculture, the industrial output value registered by village and town-run as well as individually run rural industries, the building industry, transportation services, and commerce.

4. The total wages of workers and staff and workers' cash wages include price subsidies issued to workers and staff.

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ECONOMIC MANAGEMENT

SPEED OF ECONOMIC DEVELOPMENT, ECONOMIC REFORM STUDIED

Taiyuan JISHU JINGJI YU GUANLI YANJIU [THE STUDY OF TECHNO-ECONOMICS AND MANAGEMENT] in Chinese No 5, 85 pp 2-7

[Article by Zhou Shulian [0719 3219 5571]: "Speed of Industrial Development and Economic Structural Reform"]

[Text]

I

China's industry has developed at a superhigh speed since the end of last year. People in the academic circles hold different views on the relationship between this superhigh speed and the economic structural reform. Some comrades think that the high-speed industrial development is mainly attributed to the new economic system. The said: "The economic reform since 1978 has brought changes to the national economic system, while the continual expansion of the market system's role has enabled China to deploy its essential productive forces in a more and more rational way." "The system environment which motivated the one-sided quest for output value is gradually vanishing in the course of the reform, and the speed of China's economic growth in 1984 was by no means the outcome of an one-sided quest for output value." In their opinion, the present high-speed is a special feature of the new economic system and "we should welcome instead of being afraid of the rapid economic growth." Some comrades even believe that the present speed must be maintained before we can proceed any further with the economic structural reform; otherwise, the reform will meet with difficulties. I feel that these views deserve to be further discussed.

China's industrial development which has been gathering momentum in the past several years is certainly inseparable from the economic structural reform. Because of the reform, the enterprises have acquired more decisionmaking power. They are now more active and more enthusiastic. Their business operation and management have been improved, and their technical transformation has been accelerated. All these are the causes of a high-speed industrial development. Improvement of the external conditions of industrial production, such as the development of agriculture, energy resources, communications and transportation facilities, foreign trade, and so forth are also inseparable from the reform. So too is the rapid development of collective industry. Therefore, it would be total wrong to ignore or underestimate the effects of the economic structural reform on the speed of industrial growth. However, can we say that the present rapid growth should be mainly attributed to the new economic system? Can we say that the traditional economic system which led the enterprises to their one-sided quest for output value "no longer carries any weight"? We don't think so because, first of all, this does not conform to reality.

Let us look at this matter from the standpoint of decisionmaking power for the enterprises. Although some enterprises had acquired more decisionmaking power and become active after the reform, there are still many others which do not have the decisionmaking power as they should, and which are still inactive. This is particularly true of the large and medium-size enterprises, because even now, most of them do not have the necessary decisionmaking power and vitality. The number of large and medium-size enterprises in China is less than 2 percent of the total number, but their fixed assets and their taxes and profits account for more than 60 percent of the national totals. According to an estimate, only 15 percent of the present large and medium-size enterprises are fairly active; 65 percent of them are now in the process of changing and have not given any outstanding performance, because of the lack of a solid foundation; and 20 percent of them are in some predicament and still remain basically inactive. (SHIJIE JINGJI DAOBAO [WORLD ECONOMY REPORTER] 22 July 1985.) According to a survey in Liaoning, only a handful of large enterprises are active and most of them are not, mainly because the relationship between the state and the enterprises has not been clarified, the functions of the government and the enterprises are not entirely separated, the necessary power has not been delegated to the enterprises, and some old conventions of certain departments are still tying the enterprises' hands. The factory managers of some large plants in the machine tool industry sector have complained that some decisionmaking power which should be delegated to the lower levels accoring to the rulings of the Party Central Committee and the State Council has been intercepted by some local administrative departments and cannot reach the enterprises. Now we must also pay attention to the practise of apportioning expenses among the enterprises. According to investigations conducted by some NPC deputies on the Jinzhou Petro-Chemical Industry Company, the Shenyang Municipal Mechanical and Electrical Bureau, the Dandong Chemical Fiber Corporation and some other units, there are not less than 20 different categories of expenses to be apportioned among the enterprises by the provincial and municipal authorities and even by the neighborhood offices. Many enterprises still cannot have their decisionmaking power. Then how can we say that the traditional system "no longer carries any weight"?

Second, from the standpoint of the market's role. Although the use of the market's regulative role has produced fairly good effects in promoting industrial production and coordinating production with market as well as improving the economic results during the past several years, the role of market mechanism cannot be over-estimated. First, the market for the means of production is still in the incipient stage. Strictly speaking, the market for many important means of production does not actually exist. One of the main difficulties experienced by the enterprises in production and business operation is the lack of reliable sources for the supply of raw materials and energy, and there is usually a 20 percent shortage of raw materials for the tasks assigned according to state plans. The enterprises always have difficulty in obtaining the means of production on the market through the channels of commodity exchange. Instead, they have to rely on personal favors, back-door dealings, bartering and other expedients. Some enterprises prefer to have a "boss," rather than their decisionmaking power mainly because of the lack of a market for the means of production. If they have no "boss," it will be difficult for them to obtain the necessary raw materials and energy resources. Second, the pricing is irrational. China's pricing system is very irrational and the price reform is only beginning. It is true that the price reform in the past several years have promoted production, and until the pricing system and the price structure have been basically reformed, it will be difficult for prices to play its full role in the rational deployment of the essential productive forces. On the other hand, it may even produce many negative effects. The blind construction and the irrational duplication of projects which now exist have led to an excessive scale of capital construction. We cannot say that the irrational pricing system has nothing to do with them. On the whole, while noting the success in the use of the regulative role of the market, we should also be aware of the existing problems. More important still, we cannot confuse the conditions and the effects of market mechanism as they are now with what they will be under the future economic system of corporations.

Third, from the standpoint of the enterprises' responsibility for profits and losses. The profits and losses of an enterprise are now more closely related to the benefits of its workers. Among the state-owned enterprises, the practice of "eating from the same pot" still exists in the use of funds under such a responsibility system. Some foreign scholars have called "eating from the same pot" in the use of funds a "soft" budgetary restriction. Kernei [phonetic], a Hungarian economist, held that "soft budgetary restrictions" are brought about by the following conditions: (1) The enterprises are not at the receiving end of pricing; they only set the prices. (2) The "soft" taxation system. For example, the enterprises can influence the formulation of the taxation system and enjoy the preferential treatment of tax exemption or tax deferment. The tax laws are not strictly enforced. (3) The state fund allocations including the investment allocations which the recipients are under no obligation to repay; the long and continual subsidies for prolonged losses or for the encouragement of certain activities over fairy long periods; the temporary subsidies for temporary losses or for the encouragement of certain activities. (4) The system of soft credit, under which loans are granted even to those who are unable to redeem them, and to those who can postpone their redemption and other payments. (5) The external investment under soft conditions which still exist in China. For example, some enterprises have raised their prices, legally or illegally, and passed their burden on to the consumers in order to obtain more profits. China's taxation system is also a soft one, because there can be bargaining between the state and the enterprises in addition to the common occurrences of tax evasion and other fraudulent practices. For a long time, the system of fund allocation with no repayment required has been used in capital construction. These allocations have been replaced by loans. However, these are only soft loans, because they carry low-interest rates and are repaid out of their before-tax profits (means that the state has to pay the interest), and sometimes, even the capital cannot be recovered. As sonme comrades have said, the enterprises are now responsible for their profits, but not their losses. Some enterprises have even resorted to fraudulent means for private gains at the expense of the state. The tactics they use are many. For example, they can report a lower production cost to reduce their losses or even to turn their losses into profits; they can keep their losses, incurred through cut prices, in a permanent "pending account" instead of reporting them; they can fake sales to increase their "profits"; and they can do a lot by juggling the expenses and the nonbusiness receipts and payments. The enterprises' responsibility for their own profits and losses is one of the main features of the new system. In view of the serious practice of "eating from the same pot" in the use of funds, however, we cannot say that the traditional system "no longer carries any weight."

Fourth, from the standpoint of the enterprises' code of conduct. Some comrades believe that after the reform, the enterprises are now striving only for the output value which can be realized and the maximum profit instead of the one-sided quest for output value. This view should also be analyzed. Because of their newly acquired decisionmaking power and the role of market mechanism, the enterprises now have a stronger motive for profits and the need to consider the market demand in planning production. In other words, they have to consider the question of turning their products into commodities. These good effects cannot be ignored. However, the enterprises' code of conduct under the traditional system has not been basically changed. For example, because the functions of the government and the enterprises are still unseparated, the latter's productive activities are still dictated by the administrative organs above. If the higher leadership likes an increased output value, the enterprises would still one-sidedly strive for output value. Furthermore, output value still serves as the main criterion in assessing an enterprise's performance. It is true that economic results are now emphasized. However, the assessment of economic results is fairly difficult while that of output value is simple and clearcut. For this reason, the enterprises are apt to stress the increase in output value and ignore the improvement of economic results. Particularly in the present seller's market in which supply and demand are serious imbalanced, the increase in an enterprise's output value means an increase in its profits, and an enterprise's output value means an increase in its profits. It would be much easier to increase the output value than to improve kthe quality of products or to lower the production cost. That is why the enterprises usually rely on their output value as a means of increasing profits. Kernei has pointed out that in a socialist economic system, budgetary restrictions are more significant and effective than the profit incentive. He said: "The fact that the owner, the administrator and the workers are interested in the increase in profits is not enough to determine their code of conduct. When the profit incentive is combined with hard budgetary restrictions, their efforts would be guided in the direction of actual deeds. However, when profit incentive is combined with soft budgetary restrictions, it will at least give the same opportunity for the enterprises to manipulate the finance, to raise the prices, and to exert their efforts to obtain 'gifts' from the state." He added: "Soft budgetary restrictions are not effective restrictions, because the financial situation of an enterprise cannot govern its conduct, and money cannot play any dynamic role. 'No matter how high the price may be, the important thing is to obtain the raw materials and manpower, and the required money can sonmehow be raised.' 'As long as we can find a contracting unit for the project, we need not stop our investment for want of funds, and any loss will be take care of by the state budget.'" (KEJI DAOBAO No 2, 1985 p 16) Under such circumstances, it would still be inevitable for the enterprises to invest blindly and to strive for higher output value. Although the State Council issued the call long ago for the speed of industrial growth to be controlled at an appropriate rate, some of the measures are still difficult for implementation. Blind quests for growth speed and the competitions in such speed still exist. These are the effects and manifestations of the traditional economic system.

If the present superhigh speed of industrial development is viewed as mainly an inconsistency of the new economic system with realities, then it would be even more wrong to call it a special feature of the new economic system. It does not mean that industry cannot develop rapidly under the new economic system, but rather that, under the new economic system, there should be no one-sided quest for high speed and no high speed without better economic results. We must note that in the past several years, the speed of industrial growth has continued to increase without corresponding improvement in the economic results. Since the end of last year, the appearance of a superhigh speed has been even accompanied by a deterioration of economic results and may possibly lead to some serious disproportion. The kind of speed we want for our industrial growth should be helpful to the sustained, stable land harmonious development of the national economy. We want not only an appropriately high speed, but also a rational economic structure and constantly improving economic results. The new economic system should help bring about this kind of high speed, because, by that time, the enterprises will operate independently and assume sole responsibility for their profits and losses, while the soft budgetary restrictions will be replaced by hard budget restrictions. The survival and development of enterprises will be decided by their profits and accumulation, and only through improved management and tehcnical progress can the enterprises increase their profits, their workers' wages, and their accumulation. By that time, the investment hunger and the lack of control over the consumption fund can be easily eliminated and it will be possible to create a buyer's market where supply will slightly exceed the demand. Instead of striving for high speed blindly, the enterprises will have in mind the kind of speed that is consistent with market demand and with the improvement of economic results. Only this kind of high speed can be a special feature of the industrial development under the new economic system.

Some comrades said that a high speed of economic growth would create a favorable environment for further structural reforms. Our opinion is that whether or not an environment is favorable depends on the kind of high speed. If the speed is appropriate and accompanied by a rational economic structure with fairly good economic results, then it will be really helpful to the economic structural reform. If the speed is excessive and accompanied by a lop-sided economic structure and deteriorating economic results. then such a high speed can never help, but rather obstruct the reform. The reason is that when the economic structure is seriously irrational, the proportionate relationship is seriously disturbed, and the economic results are deteriorating drastically, the required conditions will be lacking for a comprehensive and fundamental economic reform, and in particular for those reforms, such as price and wage reforms which affect very many people. For these reforms, the state must have abundant financial and material reserves and a fairly easy economic environment. Striving for excessive speed in industrial development will exert undue strain on some of the major relationships in the national economy. It will bring difficulties to the reform and obstruct certain reform measures. Many comrades have discussed this logic. The speed of industrial growth, as we can see, has been on the whole helpful to the reform in the past several years. However, the superhigh speed since the end of last year has created certain difficulties for the price and wage reforms. It is therefore necessary to control the speed at a suitable level in order to promote the economic structural reform.

II

To provide a fairly easy economic environment for the smooth progress of the economic structural reform, we must adopt the appropriate policies and measures to control the speed of industrial development at a normal level. As for the methods to do so, we must control, first, the scale of capital construction; second, the increase in the consumption funds; and third, the scope of credit and the issuance of currency. In addition, we must control the use of foreign exhange, make an effort to increase our exports, control our imports and use our foreign exchange to better advantage.

It should be pointed out that while taking measures to control the investment in fixed assets, the consumption fund, and the scope of credit, we must do our work well in solving the problems in a fair and reasonable way. At present, we should check the excessive speed in industrial development as our general goal. However, because many departments, areas and enterprises are operating under different conditions, we must work out the restrictive or supportive policies according to the actual conditions and try as best as we could to avoid "applying the same arbitrary formula," in order to reduce unnecessary repercussions and losses. Along with the progress of the structural reform and the development of the commodity economy, the economic levers will play an increasingly important role. Furthermore, as the standard of economic management among the cadres at all levels continues to rise, the experience in the use of economic levers will also be enriched. Under such conditions, it will be entirely possible to lower the speed of industrial development to a normal level.

Of course, our task is not only to lower the speed of industrial development to a suitable level, but also to set up some type of social economic mechanism to guarantee the sustained and proportionate development of industry at a fairly high speed. Thus it will be necessary for the enterprises and the entire society to be concerned not only with a higher speed of industrial development, but also with better economic results in industry. According to past experiences, the improvement of economic results is more important than the increase in the speed of industrial development, because the sustained and harmonious development of industry can be realized only provided the economic results are fairly good and continue to improve. The most important task for the social economic mechanism that meets these requirements is to help in the progress of the economic structural reform. Therefore, particular attention should be paid to the following aspects:

First, the independent operation and responsibility for profits and losses of the enterprises must be treated as an important aspect of the economic structural reform. In the "Decision of the Party Central Committee Concerning the Economic Structural Reform," it is stipulated that "the enterprises must be helped to become relatively independent economic entities and socialist commodity producers and dealers who will be able to operate independently and be responsible for their own profits and losses in a true sense." Here lies the essence of the economic structural reform, because all reform measures and activities should be helpful in solving this problem. In other words, all reform measures and activities should help the enterprises to operate independently and to be responsible for their profits and losses. Great stress is being laid on the need to delegate more authorities to the enterprises and to let them make more profits in order to increase their vitality. This is necessary. However, we must also understand that issuing such a call alone is not enough, because the enterprises must also be really responsible for their own profits and losses. There are relations as well as distinctions between independent operation and responsibility for profits and losses. Enterprises certainly cannot be without independence, but they must also be responsible for both profits and losses and not for profits alone. An enterprise must be truly able to operate independently and to assume responsibility for its own profits and losses before it can truly become commodity producers and dealers. Such conditions must prevail before the enterprises can be strongly motivated to improve their economic results and to withstand the tremendous pressure in this respect, and before the state can use such economic levers as prices and credit to encourage continued efforts on the part of the enterprises to improve their economic results. Certainly, the enterprises must go through some process before it can operate independently and be responsible for their own profits and losses, but this process must be continued in the course of the reform. The reform must proceed with this as its central task, and care must be taken to prevent it from deviating from its proper path and, more important still, from going in a counter direction. There are now signs of obstruction to the enterprises being responsible for their profits and not their losses. Therefore, we must, on the one hand, keep the functions of the government and the enterprises separated, further simplify the administration and delegate more authority to the lower levels. On the other hand, we must clearly define the responsibility of the enterprises, strictly enforce financial and economic laws, and tighten the budgetary restrictions on the enterprises. Only thus can we create an economic mechanism which can correctly handle the relationship between speed and economic result within the enterprises.

Second, the gradual formation of a buyer's market in which the supply will be slightly larger than the demand so as to encourage competition among the enterprises. Such competition is a strong motive force for the enterprises to improve their economic results. Only through competition can we restrain the enterprises from blindly striving for speed of increase in their output value, and induce them to shift the focus of their operation and management on to the path of improvement of economic results by various means. One important prerequisite for the enterprises to start their competition is their independent operation and their responsibility for profits and losses, and another prerequisite is the formation of a buyer's market. Some comrades do not believe in the possibility of a buyer's market. I do not share this view.

Theoretically, it is possible for a socialist country to practise planned economy and to form a buyer's market in which the supply is slightly larger than the demand, through scientific planning and economic management. Along with the development of the economic structural reform and the improvement and strengthening of planning, and as long as we can properly control the scale of fixed asset investment and the consumption funds, we can certainly form a buyer's market in which the supply of most products will be slightly larger than the demand. From this, we can see that the policies and measures for conterolling the scale of fixed asset investment and the consumption funds are necessary not only for an appropriate speed of industrial development, but also for the formation of such a buyer's market.

Third, the establishment and strengthening of a system of scientific macroeconomic regulation and control. In order that the enterprises will truly place the improvement of economic results in the first place and properly handle the relationship between speed and result, the state has to strengthen and perfect its macroeconomic control, regulation and management. Therefore, it is necessary to establish and continue to strengthen a system of macroeconomic control and regulation. Like the enterprises going through some process in independent operation and responsibility for profits and losses, the establishment and strengthening of a system of macroeconomic control and regulation has also to go through some process, and the two processes should be closely coordinated in steps and in contents. More important still, such a system must be suitable for the independent operation and responsibility for profits and losses of the enterprises. In other words, this system should help in the realization of the overall and long-range social interests and be suitable for the enterprises' code of conduct. For example, whenever the budgetary restricts for an enterprise becomes rather "soft," the macroeconomic control and regulation should not over-rely on the use of such economic levers as price and credit, but rather resort to mandatory plans and administrative measures. Whenever the budgetary restrictions for an enterprises is rather "hard," then, under this system, we should attach even greater importance to these economic levers and reduce the mandatory plans and other unnecessary administrative interventions. Experiences have proved that enterprises may have different codes of conducts because of their different economic environments and other conditions. Unless the special characteristics of the enterprise's codes of conduct in different periods are taken into consideration, it will be difficult for the macroeconomic control and regulation to obtain the expected results. Of course, it is possible to change the enterprises' economic environment and other conditions through macroeconomic control and regulation, and then to change certain codes of conduct among them. There is also the problem of mutual coordination of the various measures of macroeconomic control and regulation, and we should attach great importance to its solution in the course of the economic structural reform.

Fourth, a serious and in-depth study of some questions. To form the necessary social economic mechanism which will bring about a sustained and harmonious industrial development at a fairly high speed, there are many questions requiring our investigations and study. For example, what essential changes have occurred in the relationship between China's state-owned enterprises and the state during the reform in the past several years? The answer to this question concerning an assessment of the present conditions of China's socialist enterprises cannot be very specific. Some comrades said that the present superhigh speed of industrial development is mainly attributed to the new system; others attributed it to the old system. This difference of opinion should be settled by a scientific verdict on the basis of serious investigations and study. Again, what are the factors governing the state-owned enterprises' code of conduct? What were the main codes of conduct in the past, what are the main codes of conduct at present, what codes have undergone changes and what have not and for what reason? The study of the enterprises' code of conduct is a very important task. We must clarify these questions before we can work out scientific policies for macroeconomic control and regulation. Again, what are the characteristics of the state-owned enterprises' responsibility for their profits and losses, and what are the differences between these characteristics and those of collective enterprises, individual enterprises, and the enterprises of capitalist countries? We must also study such questions as in what forms do state-owned enterprises assume the responsibility for profits and losses, what models of goals should be adopted, through what steps and stages, and what are the differences between the scopes and the degrees of such a responsibility. Again, there are such questions as what form of operations can be adopted by state-owned enterprises, what are the characteristics and strong points of different forms of business operations, and what conditions are the characteristics suitable for? Can socialist state-owned enterprises adopt the corporation system under which the workers of their own and other units can become share-holders? Can the ownership rights of state-owned enterprises be divided? For example, with the recognition of the state's ownership as a prerequisite, can the ownership rights of the state-owned enterprises themselves be affirmed? Can we say that while the state has the absolute ownership rights, the enterprises also have the relative ownership rights? In this connection, we have also to study the question of the ownership structure in industry, including the questions of which forms of ownership to be permitted, the trend of their development, and the principles, policies and measures to be adopted. Again, what changes have occurred during the reform in the state-owned enterprises' relations of interests, including the changes in the relations of interests among the state, the collective and the individual workers, the enterprises' long-range benefits and the causes, effects and trend of the present changes. We should also attach great importance to the study of the way in which the state-owned enterprises should handle the various relations of interests, the measure to be adopted, and the steps to be taken in correctly handling these relations. Again, what changes have been brought about by the use of economic levers among the enterprises? How to make full use of various economic levers to regulate and control the conduct of enterprises? Because of the changes in the enterprises' conditions of operation and in their codes of conduct, the role of economic levers have also undergone changes. Then what changes have occurred, and which changes are good and which are no good for the healthy development of industry? And what policies should be adopted? Again, as the steps to be taken in the reform, how should the relationships between the promotion of the enterprises' independent operation and responsibility for their profits and losses on the one hand, and the reforms of the pricing system, credit system and financial system on the other be handled? The enterprises' independent operation and their responsibility for profits and losses depend on the reforms of the pricing, credit and financial systems.

There are differences between them, although all reforms should be helpful in promoting the enterprises' independent operation and their responsibility for profits and losses. What have we learned from our experiences concerning these questions, what are the present problems, and how can the future reforms persist in promoting the enterprises' independent operation and responsibility for profits and losses as their central task? All these are extremely important questions.

There are still many other questions to be studied. This article has presented some views mainly in the form of questions for the purpose of "casting a brick to attract jade." The readers are invited to cortrect the mistakes.

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CSO: 4006470

XIZANG HOLDS FORUM ON REFORM OF ECONOMIC SYSTEM

HK271414 Lhasa Xizang Regional Service in Mandarin 1130 GMT 20 Mar 86

/Excerpts/ According to XIZANG RIBAO, a theoretical forum on reform of Xizang's economic system concluded on 18 March in Lhasa.

The forum maintained that over a long period of time, the guiding thought on the region's economic work and the region's economic system was seriously divorced from Xizang's reality. Xizang indiscriminately copied the practice of other provinces and regions and took grain as the key link in rural areas. It impractically put forth the target of achieving agricultural mechanization in a couple of years. In the industrial field, it made bricks with straw, set up political factories, and did such things as filling the gaps in some areas. The region really did quite a lot of impractical things. We have not yet discovered a road suited to Xizang's reality in economic development.

We have encountered many difficulties and problems in the current reform of Xizang's economic system. To solve these problems and difficulties, which depends on our joint efforts, is also an unshirkable duty for theoretical workers in the region. For this reason, leading comrades of the regional CPC Committee have paid serious attention to the theoretical forum. They sincerely hoped that the participants would earnestly sum up experiences and draw lessons from Xizang's economic work since the peaceful transformation; continue to eradicate leftist influence; straighten out their guiding thought on economic work; explore the objective laws governing Xizang's economic development; discuss major problems concerning Xizang's economic development; and study a strategic plan for social and economic development in Xizang, so as to provide a theoretical basis for reforming the economic system. In their instructions, leading comrades of the regional CPC Committee pointed out the tasks for the forum and the path for the region's economic theoreticians in their research.

In discussions, some comrades said: In straightening out our guiding thought on economic work, we must understand deeply the importance of developing the region's economy through our own efforts and following a benign cycle.

The purpose of carrying out economic activities is to upgrade the livelihood of the masses. We must try our best to do more practical things to help the masses get rich. We must not lay undue stress on a high growth rate and output value, nor should we pay attention to filling the gaps in industrial or other fields.

The guiding principle in economic work is that we must act in accordance with local conditions and give different guidance on different work. We must avoid copying others indiscriminately and carrying out work without making concrete analysis.

We must work out strategic steps for economic development in a prudent and steady way and according to our own abilities. We must avoid being impatient for success and avoid the practice of telling lies, boasting, and making empty promises in economic work.

The participants also held serious discussions on the strategies for Xizang's development. They believed that in the past we paid less attention to overall planning and long-term strategic plans, so we made policy decisions on economic development blindly. In view of this, we must seriously study the strategies for economic development in the region, and must not talk about the problem in generalities. We must conduct investigation and research and make convincing exposition after obtaining a vast amount of information.

The participants put forth some valuable suggestions on how to carry out the region's economic work properly.

They also put forth many valuable suggestions and tentative ideas on the solution to the surplus workforce, on expanding the decision making power of enterprises, on developing tourism in the region, and on energy and the power industry.

Some specialists and leading comrades of economic departments were invited to deliver speeches at the forum. They aired their views on the existing problems in the region's capital construction and power industries and on how to solve these problems in the reform, giving some new ideas to the participants.

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NPC DEPUTIES FROM LIAONING DISCUSS ZHAO REPORT

OW310926 Beijing XINHUA Domestic Service in Chinese 1244 GMT 30 Mar 86

/Text/ Beijing, 30 Mar (XINHUA)--In discussing Premier Zhao Ziyang's report made at the fourth session of the Sixth National People's Congress, deputies from Liaoning Province, an old industrial base in China, held that to accelerate the replacement of the old system by a new one, it is necessary to carry out economic reform and thoroughly transform the old, rigid economic patterns practiced by large and medium-sized state enterprises.

Deputy Li Changchun, secretary of the Shenyang City CPC Committee, said: Major large and medium-sized enterprises play a major role in achieving socialist modernization. There are 151 large and medium-sized enterprises in Shenyang City. In number they account for only 3 percent of the city's industrial enterprises, but their fixed assets account for 72 percent of the total of the city's industrial enterprises. If our country can quickly free these large and medium-sized enterprises from their old, rigid economic patterns, a new situation will certain emerge in our economic development.

Liaoning is one of China's major industrial bases built during the First 5-Year Plan period. There are over 500 large and medium-sized enterprises with a fairly complete range of products. However, restricted by the old economic system for years, they have not been able to play their role as effectively as they should. Deputy Quan Shuren, governor of Liaoning Province, said during a discussion: Since the 3d Plenary Session of the 11th CPC Central Committee, particularly since the last 3 years of the Sixth 5-Year Plan, Liaoning's large and medium-sized enterprises have made some progress in carrying out some reforms. However, the task has proved to be too much because the enterprises are old, the personnel are old, and the equipment is old. As far as operational guiding principles are concerned, there are three outstanding problems with these enterprises that have not been satisfactorily solved: First, the influence of unified state control over production, supply, and marketing and over the distribution of personnel and materials still remains strong in these enterprises, and the practice of "eating from the same big pot" of the state has not been completely eliminated; second, the old system characterized by separation of regions and departments and closed-door operations has not been transformed; third, some enterprises still go after something "big and complete," and the mentality that there is no need to seek help from anybody still remains. Quan Shuren held that to solve these problems, it is necessary to act upon the suggestion made by Premier Zhao Ziyang in his report: "We should further enhance the vitality of enterprises, especially large and medium-sized state enterprises, in order to make them relatively independent entities and to enable them to become independent producers and dealers of socialist commodities who are solely accountable for their own losses and profits."

The deputies from Liaoning Province held that to further invigorate large and medium-sized enterprises, it is very important to do well the following tasks:

First, after they are given decisionmaking powers, large and medium-sized enterprises should try to improve the responsibility system according to their actual needs as conditions permit.

Second, large and medium-sized key enterprises should develop lateral economic association with other units because this will help eliminate the old, closed-door system characterized by the separation of regions from departments and of regions from other regions.

Third, large and medium-sized key enterprises should concentrate on self-transformation and self-development by relying on their own efforts.

Fourth, large and medium-sized key enterprises should experiment to improve the system of factory directors or managers assuming full responsibility.

The Liaoning deputies maintained that it is entirely possible to achieve our reform targets if we act upon the guidelines of the Seventh 5-Year Plan.

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WUHAN CITY STRENGTHENS HORIZONTAL ECONOMIC TIES

HK260919 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 24 Feb 86

/Text/ In strengthening horizontal economic ties between rural and urban areas and developing the planned commodity economy, we must adhere to the principle of mutual benefit and mutual accommodation. Some economic management departments and enterprises of Wuhan City should not be so calculating. They should be farsighted and should spread their products, technology, information and trained people to other places, so that Wuhan will be able to really act as a key city with many functions.

These remarks were made by Wang Qun, deputy secretary of the provincial CPC Committee and first secretary of Wuhan City CPC Committee, at a forum held this morning on developing horizontal economic ties between Wuhan City and Hanchuan County.

With the deepening of the reform over the past few years, Wuhan City and Hanchuan County have taken firm steps forward in developing horizontal economic ties between rural and urban areas. Aiming at the market in Wuhan City, Hanchuan County has readjusted its structure of production with the establishment of a number of vegetable, aquatic and poultry bases. As a result, Hanchuan County has become a large warehouse of fresh and live products for Wuhan City. In turn, Wuhan has done a great deal of valuable work for the economic development of Hanchuan by supplying trained people, technology, equipment and funds.

At the forum, principal leaders of Wuhan City, Xiaogan Prefecture and Hanchuan County as well as responsible comrades of the departments concerned, adhering to the principle of mutual benefit, focused discussions and exchanged views mainly on the development of economic cooperation in varied forms between the two sides; the establishment of farm and sideline product bases; the spread of products; the exchange of trained people and technology; and policies for developing horizontal economic ties.

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NATIONAL CONFERENCE ON CONSTRUCTION FUNDS HELD IN SHANDONG

SK070611 Jinan Shandong Provincial Service in Mandarin 2300 GMT 6 Apr 86

/Text/ The national conference on the management of funds earmarked for key projects was held in Zibo City on 5 April. Present at the conference were presidents of construction banks in various provinces, municipalities, and autonomous regions; and comrades of the State Planning Commission, the Ministry of Finance, and other pertinent departments.

The conference was devoted to discussing ways to further strengthen the management of funds earmarked for key projects, to provide funds in a timely manner, and to supervise on the reasonable utilization of funds on the basis of summing up and exchanging the experiences gained by various construction banks over the past 3 years in managing the funds earmarked for key construction projects.

Zhou Daojiong, president of the People's Construction Bank of China, pointed out: To attain the magnificent goals of effecting a vigorous economic development by 1990 and quadrupling the gross industrial and agricultural output value by 2000, the state has arranged more key construction projects for this year than last year, thus adding to the burden on the construction banks to manage and use construction funds well and to give support to the construction of key projects. Therefore, the large number of cadres, workers, and staff members are required to strengthen the management of construction projects, to raise the management of financial affairs and funds to a new level, and to make new contributions to ensuring the progress of key projects, accelerating the construction speed of key projects, and improving the efficiency of investment in key projects.

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CSO: 4006/926

FINANCE AND BANKING

BANKER ON RAISING FUNDS FOR PRC IN HONG KONG

HK130030 Beijing XINHUA Hong Kong Service in Chinese 0805 GMT 1 Apr 86

[Article by Zeng Jinlun [2582 6930 0243], deputy director of the Hong Kong and Macao Administrative Department of the Bank of China and general manager of the Hong Kong Branch of the China and South Sea Bank: "Make Full Use of the Hong Kong Market To Raise Funds for the Four Modernizations"]

[Text] Hong Kong, 1 Apr (XINHUA)--The second issue of "GANGAO JINGJI JIKAN" ["HONG KONG AND MACAO ECONOMIC QUARTERLY"] carries the following article by Zeng Jinlun: The implementation of our country's Seventh 5-Year Economic Development Plan has already begun. During the Seventh 5-Year Plan period, our country will enter into the construction of its energy, communications, telecommunications, and urban basic facilities and vigorously transform the technology in our old enterprises. All this has to be funded by large amounts of foreign exchange. In order to raise these foreign exchange funds, we should strive to increase our exports and income from invisible trade and strive to obtain more preferential loans from international banking institutes. However, we should also appropriately raise commercial funds in the international capital market in order to make up for our shortage of foreign exchange.

At present, there is an ample supply of funds in the international capital market, which provides a favorable opportunity for borrowers of good credit standing and respectability. Owing to our country's good credit worthiness, international bankers are much interested in the market in our country; therefore, our country should be able to obtain loans with relatively preferential terms.

Hong Kong is the third largest international financial center and is also a major market for raising long-term funds in the Asia-Pacific region. Therefore, it has better conditions for continuing to play its role for our country in raising commercial funds in the international capital market.

The basic conditions that Hong Kong has for becoming a major market for our country to raise funds for its four modernizations are:

1. There are many big international banks in Hong Kong, which can provide know-how and ways to raise funds.

At present, there are 150 banks in Hong Kong, of which over 40 are branches of those among the 100 biggest banks in the world. We can say that almost all the banks and other banking institutes who are active in the international capital market, have set up branches or liaison offices in Hong Kong as their strongholds to develop their business in the Asia-Pacific region. With such a large number of financial institutes, which are relatively active in the international market, participating in the activities in Hong Kong's financial market, Hong Kong has a great capacity for raising funds and also the technology to do so in keeping with world development trends. Over the past few years, the methods and demands for raising funds have continued to develop and change. Some of the new-type and complicated methods of accommodation of funds that have been developing quickly in the international capital market, such as variable interest rate loans, variable currency loans, "arrangements for the issuance of accommodation bills," and other arrangements to get financial aid, have also developed in Hong Kong to some extent. In addition, the large number of Hong Kong's insurance companies, security brokers, and investment institutions, and the services provided by professionals such as accountants and lawyers that are indispensable for the development of a financial center, have enabled Hong Kong to become an efficient site to raise funds with lower costs than in other markets.

2. Hong Kong's banking sector has plenty of funds and can provide diverse commercial bank credit for enterprises on the Chinese mainland.

By December 1985, Hong Kong's bank deposits totaled HK$449 billion. At present, the banks there have plenty of funds and quite a great potential to tap in providing credit for enterprises on the Chinese mainland. Since our country began to implement the policy of opening up to the outside world in 1979, many Hong Kong banks have vigorously conducted activities to provide credit on the Chinese mainland, directly providing loans to enterprises there or providing their customers with various financial conveniences to support their investments there. From 1978 to 1985, our Bank of China Group provided over HK$10 billion in various kinds of loans and investments to help the four modernizations there. Now the mainland has already become a market on which the Hong Kong banking sector increasingly greatly depends and to which it attaches importance. Supporting customers in investing on the mainland has become one of the outlets for the banks' funds.

Hong Kong's fairly great capacity for organizing syndicated loans enables it to raise large amounts of intermediate and long-term funds for the Chinese mainland.

Through many years of development, Hong Kong has already become the fourth largest syndicated loan center in the world after London, New York City, and Paris. In the Asia-Pacific region most of the syndicated loans are organized in Hong Kong. According to statistics, over the past few years, Hong Kong's banks and other financial institutions have been responsible for the organization and arrangement of about 60 percent of the syndicated loans in the Asia-Pacific region, involving more than $10 billion a year. In fact, Hong Kong's banks have been augmenting their ability to arrange syndicated loans over the past few years. Some borrowers in the Asia-Pacific region have been successful in borrowing syndicated loans amounted to several hundred million U.S. dollars each in Hong Kong. Moreover, Hong Kong has also been able to organize and arrange syndicated loans for projects with relatively complicated technology to raise funds. Over the past few years, there have also been some syndicated loans which were provided for investment in the Chinese mainland. Most of the borrowers of these loans were the Hong Kong or foreign parties to joint venture projects and the funds raised were spent on construction on the mainland.

4. Hong Kong's securities market has become increasingly brisk and mature and can provide the mainland diverse ways and methods to raise funds.

Over the past few years, another aspect of the development of Hong Kong's financial market is the increasing briskness and maturity of its securities market. Now, Hong Kong's banks and other financial institutes, companies and enterprises increasingly frequently raise funds through issuing various kinds of securities. The methods for raising funds include the issuance of bonds with floating or fixed interest rates, intermediate and short-term certificates of deposit, and commercial bills. Some statistics show that in 1985, the volume of Hong Kong dollar bills issued in Hong Kong totaled HK$19 billion, a sharp increase from the HK$4.6 billion in 1984. Last year, the China International Trust and Investment Corporation also issued 5-year bonds in Hong Kong to raise HK$300 million, which was mainly spent in supporting industrial investment in China. This was the first time a Chinese institution had issued bonds in Hong Kong. This year, the Hong Kong branches of the Bank of Communications and the Bank of China issued certificates of deposit with fixed interest rates amounting to HK$250 million and $100 million respectively. These aroused an enthusiastic response in the market and were briskly accepted.

Hong Kong's stock market is of a certain scale and has the conditions for developing into a site for Chinese enterprises to go public and raise long-term funds in the market. At present, there are more than 260 large Hong Kong companies and enterprises that are listed on the Hong Kong stock market. Most of them have issued shares to raise funds and continued to increase the number of shares issued to augment their strength. Judging by the current situation, conditions have not yet matured for Chinese enterprises on the mainland to go public in Hong Kong in order to raise funds there. However, I believe that after a period of time of development, some enterprises provided with relatively good conditions, in particular, enterprises with a good record of foreign exchange earnings, a strong reputation abroad, and bright development prospects, can consider using the Hong Kong stock market to raise funds. So far no mainland enterprises have directly gone public in Hong Kong's stock market, but it is said that some enterprises abroad have already raised funds in the stock market and then spent the funds raised in development in the Chinese mainland.

Besides, some unit trust management companies have already established investment funds specially related to business in China and invested some of the funds in Hong Kong and foreign enterprises related to the Chinese market.

In addition to the above basic conditions for our country to raise foreign exchange funds in the outside world, compared with other financial centers, Hong Kong has its unique conditions. Hong Kong is situated at the southern gate of our country. Compared with New York, London, and the other two major financial centers in the Asia-Pacific region--Tokyo and Singapore--Hong Kong has the geographical advantage of being situated near the Chinese mainland. Because of this geographical closeness, it is extremely convenient for people on the Chinese mainland and Hong Kong to visit and communicate with each other. Hong Kong and the mainland have the same culture and language. A fairly large portion of the people in the Hong Kong financial circles and many of Hong Kong's professionals are Chinese, who have even closer relations with the mainland and who are not only familiar with the political and economic structure and operations on the mainland, but also know the language to contact the people there. This is an advantage concerning human relations for Hong Kong. In addition, many mainland financial and commercial institutes have had widespread business networks in Hong Kong for many years and know relatively a lot about Hong Kong's financial market. All these are advantages for Hong Kong in competing with other international financial centers in doing business in China.

From another point of view, intensifying China's use of Hong Kong's financial market would also facilitate consolidating and upgrading Hong Kong's position as an international financial center. Although Hong Kong already has become a major financial center in the Asia-Pacific region, its future development is to a certain extent restricted by its "inherent shortcomings" such as the relatively small economic scale and the limited internal demand for funds. Therefore, if the Japanese government gradually relaxes its financial control in the future, Tokyo will become Hong Kong's primary competition. The major advantage for Tokyo is the fact that Japan's economic scale is much larger than Hong Kong's. However, if Hong Kong is backed by the Chinese mainland and if the mainland intensifies its activities to raise commercial funds in Hong Kong, I believe that Hong Kong's competitiveness as a financial center will be greatly enhanced. A foreign banker once said publicly that Hong Kong's future success would depend on whether it would be able to become China's financial center. Moreover, if the mainland intensify its fund-raising activities in Hong Kong's securities market, such as issuing bonds and commercial bills there, then it would help the development of a secondary market in which these tools are used to raise funds and thus help provide Hong Kong with better conditions to become a diversified and well-developed world financial center.

To sum up, with its position as an important financial cneter in the Asia-Pacific region and with its favorable geographic location and human relations, Hong Kong has all the conditions for becoming an important site for our country to raise funds in the outside world to finance its four modernizations. Hong Kong is also entirely able to give better play to its role as a bridge or springboard for our country in strengthening our country's relations with other world financial markets. On the other hand, we can also expect that by intensifying its use of Hong Kong's financial services, the mainland will help Hong Kong to continue to consolidate and improve its position as a world financial center. Therefore, raising funds in Hong Kong by the mainland is conducive not only to our country's four modernizations, but also to Hong Kong's economic prosperity and stability.

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CSO: 4006/932

BANK OF CHINA ON JANUARY-MARCH SAVINGS

OW101350 Beijing XINHUA in English 1209 GMT 10 Apr 86

[Text] Beijing, 10 Apr (XINHUA)--China's savings deposits totalled 178.89 billion yuan at the end of March, 10.3 percent up from three months earlier, the People's Bank of China said today.

The increase of 16.63 billion yuan of savings deposits between January and March was 2.06 billion yuan more than the rise in the same period last year. The fixed deposits account for 91 percent of the increase, and the urban deposits for 67 percent, the bank said.

The People's Bank, which is China's central bank, attributed the progress to various measures, including the stepping up of savings publicity, better services and a growing number of banks.

Government and bank officials have been stressing the importance of increasing savings deposits as a means of raising more funds for China's rapidly developing economic construction.

Apart from the work of the banks, the continuing rise in people's living standards is also a major reason for the increase in savings, said a bank official.

The average annual wage for an urban worker increased by 414 yuan over the past five years while the income of an average peasant has risen by 209 yuan.

Last year, savings deposits in China averaged a record 160 yuan for each of China's one billion people, up 43 yuan from 1984.

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CSO: 4020/280

LI ZIQI ON IMPROVING SAVINGS DEPOSIT WORK

HK120838 Lanzhou GANSU RIBAO in Chinese 29 Mar 86 p 1

[Report by Wang Shengli [3769 0524 0448]: "Carry Out Savings Deposit Work in a Lively Way to Raise Funds and To Benefit the State and the People--Comrade Li Ziqi Went to Bank Offices and Savings Centers To Acquaint Himself with the Situation and To Guide Work"]

[Text] On the afternoon of 28 March, provincial CPC Committee Secretary Li Ziqi went to the savings centers of the Industrial and Commercial Bank on Dingxi Road South and the central square, the Lanzhou office of the Bank of Agriculture, and the office of the Lanzhou branch of the Bank of China to inquire into the bank savings work and the work, study, and lives of the workers and staff members. He also attended the ongoing meeting of the Gansu two-level sub-branch head meeting of the People's Bank of China to discuss banking work with the participants. In his speech, he stressed that the reform of the banking system should be centered on three issues--increasing savings, improving services, and using capital rationally.

In recent years, with the development of Gansu's economic construction, the income of the urban and rural residents throughout the province has constantly increased and a growing number of people deposit their money in banks. In 1985 the province's total savings deposits increased by 560 million yuan, overfulfilling the state savings quota by 70 percent. Gansu is higher than the national average level in terms of increased savings volume and margin, as well as savings rate for every 100 yuan of wages. By the end of last February, the balance of savings deposits throughout the province was more than 2.1 billion yuan. Comrade Li Ziqi expressed his satisfaction over the savings work in our province. He said: The banking departments and affiliated organizations have made a good account of themselves in the past few years. The bank workers and staff members have worked very hard. In the face of arduous tasks, they have been working intensively year in and year out. They have attained remarkable successes in carrying out the state banking principles and policies, energetically raising funds, and supporting our province's economic development.

For dealing with the future banking work and tasks, Li Ziqi pointed out: The banks are now confronted with the dual task of both strengthening macroeconomic control and enlivening the urban and rural economy. Doing a good job of savings work is also a very important task of the banks. Doing a good job of savings work and raising funds are of great significance for withdrawing currency from circulation, achieving a balance between credit receipts and payments, supporting economic construction, stabilizing commodity prices, and improving the people's livelihood. This is a long-term strategic principle. The leading comrades of the party and state are very concerned about this work. Premier Zhao pointed out that one of the four important tasks in our economic work this year is to increase savings. It should be said that this is a major issue for the province's banking departments and economic work. For this reason, leading comrades at all levels throughout the province and all party and government organizations should attach importance to and support savings work and put this high on their agendas. They should help banks to solve the problems in their practical work. At the same time, they should also encourage the whole society and the urban and rural population to show concern for savings. It is all the more necessary for cadres at party and government organs at all levels to take the lead in depositing their money in the banks so that the savings undertakings in our province will develop quite rapidly this year.

In conclusion, Comrade Li Ziqi called on bank cadres at all levels in the province to make new, persistent efforts and to take new steps. In light of the practical conditions in our province, it is necessary to extensively publicize the significance of increasing savings deposits, supporting the four modernizations program, and benefiting the state and the people. Meanwhile, we should also carry out well the state policy on savings and safeguard the excellent prestige of our banks. Affecting every household, savings work is a window leading to society. For this reason, the banks should also strengthen the building of spiritual civilization and improve service quality by enthusiastically attending to customers and providing services right to their houses. The banks should further increase the number of savings centers and keep savings records secret. Every effort should be made to facilitate the masses so that they neither have to form long lines when withdrawing money nor are afraid of "showing their wealth." Flexible and diversified forms may also be adopted in this respect. For example, by offering both monetary awards and interest for fixed deposits, the provincial Bank of Industry and Commerce and Bank of Agriculture succeeded in withdrawing 20 million yuan in Lanzhou Prefecture in less than a month. In short, all banks in the province should go into vigorous action, strengthen leadership, engage in extensive publicity, adopt measures, improve services, and develop the people's savings work in order to collect more funds and to make new contributions to invigorating Gansu's economy.

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CSO: 4006/932

FINANCE AND BANKING

ANALYSTS WARN OVER FEC UNCERTAINTIES

HK140500 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 14 Apr 86 p 1

[By Cynthia Yuen]

[Text] Continued uncertainty over China's Foreign Exchange Certificates [FEC] will jeopardize trade negotiations and transactions, analysts have warned.

FEC holders have been dumping the certificates since a top ranking Chinese official revealed earlier this month that Beijing intended to abolish them. This selling spree is likely to push down the value of renminbi [RMB], currency specialists feel.

The market agitation was triggered by an April 3 news conference by Vice Premier Yao Yilin who said FEC's would be abolished and renminbi made the sole currency circulating in China. While he considered making the renminbi freely convertible as premature, Mr Yao did not specify how and when the FEC's would be formally withdrawn.

Beijing authorities have been keeping details of replacing the FEC's to themselves. Analysts feel that it is time that Beijing defined the guidelines during the transition period. Any further delay will only deepen market worries.

Mr S.C. Tam, adviser to the Beijing Representative Office of Hokkaido Takushoku Bank, told BUSINESS STANDARD that FEC holders, as well as foreign investors who have signed or are negotiating contracts involving FEC, have been concerned about the move.

"If uncertainty about the FEC prevails, normal trade transactions and negotiations would surely be hindered," he said.

There have been conflicting views about the impact of FEC's abolition on the value of RMB. Acting director of Bank of China's Institute of Finance Wu Nianlu told a China trade seminar last week that the abolition of FEC's should not result in the devaluation of the renminbi. Mr Tam disagreed.

"Since people don't know what will become of FEC's, they're trying to get rid of them lest the Chinese government's replacement policy will cause them undue losses. Their selling of FEC's will inevitably push the value of renminbi down."

Under the official rate, FEC is on par with the renminbi, but its street value is 30-40 percent higher.

The abolition of FEC's is seen by analysts as a move in the right direction. The coexistence of two currencies in China has bred speculative transactions and fuelled the currency black market. Besides abolishing FEC's the Chinese government will have to formulate and vigilantly enforce a set of regulations to control the irregularities in hard currency utilization.

FEC's were introduced in 1980 to curb the circulation of foreign currencies and to calculate retained forex earnings for companies handling foreign trade. The demand for hard currencies has stabilized by now and it is possible to achieve the distribution of forex quotas through other means. China can afford to get rid of FEC's, analysts feel.

But to avoid currency chaos China must ensure that the circulation of hard currencies is illegal, some analysts feel.

Mr Tam noted that the wide circulation of the Hong Kong dollar in Shenzhen, Guangzhou and some major cities, would call for additional controls in those places.

The Chinese undoubtedly are pondering a workable scenario for a smooth transition. Mr Tam suggested a minimum grace period of 6 months for Bank of China to collect all FEC's in the market. During the period FEC holders should be allowed to change their certificates into foreign currencies upon showing up their exchange coupons.

However, difficulties are likely to arise where the FEC holder is unable to submit exchange coupons. In such circumstances, it may be a little difficult to decide on the currency in which to trade with the FEC holder, and the situation would warrant careful attention and special measures.

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CSO: 4020/280

NATIONAL FORUM ON AUDITING HELD IN HUBEI

HK091240 Wuhan Hubei Provincial Service in Mandarin 1100 GMT 8 Apr 86

[Text] The national forum on auditing work in administrative, cultural, and educational departments, which was held in Wuchang from 1 to 8 April, put forward: It is necessary to regularize, systematize auditing work in the administrative units and institutions throughout the country and to make it attain a new level.

Regularly submitting the accounts of administrative units and institutions for auditing first commenced in Xiangfan City in May 1984. Due to the characteristics of this work--university, continuity, prevention, and [words indistinct], violations of discipline can be promptly and widely controlled. This work therefore shows great vitality and importance has been attached to it by auditing departments throughout the country. The work was popularized by some 500 auditing bureaus in 21 provinces, municipalities, and autonomous regions throughout the country in only over a year. According to incomplete statistics, last year, after accounts were regularly submitted for auditing, things were found wrong with the accounts involving some 200 million yuan. Auditing played an important part in curbing violations of discipline and correcting unhealthy trends.

The Auditing Administration has decided to regard auditing in administrative units and institutions as an experiment and to gradually carry it out.

At this forum, the representatives from throughout the country unanimously supported the decision of the Auditing Administration and declared that within the sphere of the functions and powers specified by the state, they would formulate specific measures to guarantee the smooth progress of popularizing the work.

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CSO: 4006/932

SICHUAN HOLDS TELEPHONE CONFERENCE ON STATE BONDS, BOND HOLDERS

HK141328 Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 10 Apr 86

[Text] On the evening of 9 April, the provincial government held a telephone conference on the arrangements of the sales of 1986 state bonds and handling problems of small bond holders. Vice Governor Gu Jinchi put forward specific requirements for selling the 1986 state bonds.

He said: First, we must heighten our understanding. Second, we must strengthen the leadership of organizations. Third, we must assign tasks to units of the lower level in a rational way. Fourth, we must carry out the propaganda and mobilization work in an in-depth and painstaking way. Fifth, we must popularize the effective methods that have been proved practical.

Comrade Gu Jinchi said: The issuance of state bonds is not purely an expedient measure for overcoming financial difficulties. Rather, it is an important means of the state for raising construction funds, and is a necessary measure for readjusting the macroscopic economy. It is the bounden duty of all units and citizens that they should actively purchase the state bonds and support the modernizations.

Vice Governor Gu Jinchi stressed: Governments at all levels, as well as all departments and units concerned, must assign special leading comrades to handle the work. They should perfect organizations that collect funds and give play to the role of mass organizations. They should plan well the work of collecting funds and assign tasks in a rational way.

In his conclusions, Vice Governor Gu Jinchi made arrangements for handling problems of small bond holders.

Liu Haiquan, vice chairman of the Provincial People's Congress Standing Committee, also spoke at the conference.

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CSO: 4006/932

BRIEFS

GOLD CONFERENCE HONOREES--At the recent national work conference on gold production, the Ministry of Metallurgical Industry commended six counties with high yields of gold and three gold mines in the province. Zhaoyuan County was conferred the honorary title of more than 100,000 liang in annual gold output in 1985. Rushan, Muping, Qixia, Huangxian, and Yexian counties were conferred the honorary title of more than 10,000 liang in annual gold output in 1985. The Zhaoyuan gold mine and the (Tanzhuang) and (Hexi) gold mines in Zhaoyuan County were conferred the honorary title of advanced enterprises in gold production in 1985. [Text] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 9 Apr 86 SK] /12858

AGRICULTURAL BANK MAKES LOANS--Beijing, 10 Apr (XINHUA)--The Agricultural Bank of China has provided 661 million yuan in loans so far this year to help thousands of rural enterprises overcome difficulties, according to bank officials. Many of these township enterprises, which were being built or expanded, halted work towards the end of last year because of financial problems. To support them, the agricultural bank is raising money by issuing 1.5 billion yuan worth of savings bonds in rural areas. The bonds offer an annual interest rate of nine percent. They were first issued last November, and so far, 746 million yuan worth have been sold. The money is then lent in special credits to rural enterprises in difficulty. Incomplete statistics from seven provinces and municipalities show that 2,800 businesses had been rescued in this way up to the end of February. The bank is also providing loans for individual households specializing in various types of rural production. It has lent more than 100 billion yuan to such household businesses over the past five years. [Text] [Beijing XINHUA in English 0831 GMT 10 Apr 86 OW] /12858

CSO: 4020/280

INDUSTRY

BRIEFS

SHAANXI IMPROVES INDUSTRIAL PERFORMANCE--The government at all levels in Shaanxi has actively strengthened leadership over industrial production and worked to solve problems. Production started to revive in March, and output value showed a 3.36 percent increase over the same month last year. Output value in the first quarter showed a slight increase over the same period last year. After the provincial government held an urgent conference on industrial and communications production, all areas and departments took practical steps to reverse the decline in industrial output. The cadres of the industrial departments went to the grassroots to work there and help the enterprises solve problems. The banking departments have closely cooperated with the industrial departments in supporting enterprises strapped for capital. By now the problem of urgently-needed circulating funds totalling 40 million yuan in some enterprises in the machine-building, petrochemical, and textile industries has been solved. [Text] [Xian Shaanxi Provincials Service in Mandarin 0030 GMT 12 Apr 86 HK] /12913

GUANGDONG SECOND LIGHT INDUSTRY--The gross output value of Guangdong Province's second light industry in the 1st quarter of this year reached some 1,702 million yuan, an increase of 23 percent over the same period last year. The amount of taxes and profits in this quarter was some 140 million yuan, an increase of 12 pecent over the corresponding period last year. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 14 Apr 86 HLK /12913

JIANGSU LIGHT INDUSTRY--Jiangsu's light and food processing industry showed marked progress during the Sixth 5-Year Plan. Total output value in 1985 was 1.2 billion yuan, an increase of 1.6 times that of 1980, and an average annual increase of 21.1 percent. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 1100 GMT 20 Jan 86 OW] /12913

CSO: 4006/942

SMALL-SCALE ENTERPRISES

JIANGSU GOVERNOR ON DEVELOPING RURAL INDUSTRY

OW031000 Beijing XINHUA Domestic Service in Chinese 0012 GMT 3 Apr 86

/Article by reporter Xu Yaozhong/

/Excerpts/ Beijing, 3 Apr (XINHUA)--While deliberating and discussing Premier Zhao Ziyang's report and his draft Seventh 5-Year Plan, NPC deputies from Jiangsu, a province noted throughout our country for its most developed rural industry, pointed out: Rural industry must conscientiously obey overall control and steadily progress. This is of important significance to carrying out the Seventh 5-Year Plan in an allround way.

Jiangsu's rural industry has developed very rapidly in the past few years. In 1985, rural industrial output value reached 36.3 billion yuan, constituting 35 percent of Jiangsu's total industrial output value and 61 percent of total output value of agriculture, sideline production, and industry in Jiangsu's rural areas.

Deputy Gu Xiulian, governor of Jiangsu, said: In line with the guidelines of Premier Zhao Ziyang's report and the demand set by the Seventh 5-Year Plan, rural industry should follow the principle of basing itself on agriculture and serving agriculture. It is necessary to develop farm product processing, transport, supply and marketing, and other service trade. Qualified rural enterprises must actively produce auxiliary products for large industrial enterprises and products for export.

Deputy Fu Peisheng, deputy director of the Agriculture and Industry Department under the Jiangsu Provincial Party Committee, added: To promote rural industry, we must also handle well the relationship between speed and economic results and the relationship between quantity and quality. We must not simply stress speed in developing rural industry. Instead, we must put economic results in the prominent position. It is not enough to pay attention to output value and to the number of enterprises and staff and workers only. It is necessary to pay greater attention to the quality of products and service, reducing materials consumption and production costs, and improving the management level and the quality of enterprises.

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CSO: 4006/926

BRIEFS

AGRICULTURAL BANK LOANS--Beijing, 18 Mar (XINHUA)--Over 70 percent of China's town and village enterprises have borrowed money from agricultural banks or credit unions. During the Sixth 5-Year Plan, agricultural banks and credit unions extended a total of 150 billion yuan in loans to town and village enterprises. Agricultural bank and credit union loans to rural enterprises have increased rapidly. Outstanding loans last year amounted to three times that of 1980, and the new loans last year were 2.3 billion yuan more than the preceding year. Rural economists pointed out that agricultural banks and credit unions are playing an increasingly important role in developing rural enterprises and the entire rural economy. /Summary/ /Beijing XINHUA Domestic Service in Chinese 0853 GMT 18 Mar 86 OW/ 12228

CSO: 4006/926

BRIEFS

SICHUAN STEEL COMPANY PROJECT--Chongqing steel company yesterday started the construction of new coke furnaces Nos. 1 and 2. The project is the key one in the company's technological transformation in the Seventh 5-Year Plan. Following the completion of the project, the company will increase its output capacity in pig iron, steel, and rolled steel to over 1 million tons, becoming one of China's large joint enterprises for steel production. It is estimated that the project will cost about 500 million yuan, and will be completed in 1988. The company will then produce over 200,000 tons of coke for producing pig iron and steel. On 7 April, State Councillor Fan Yi visited the company and wrote an inscription for the company's technological transformation projects. [Summary] [Chengdu Sichuan Provincial Service in Mandarin 0030 GMT 10 Apr 86 HK] /12913

CSO: 4006/942

FUJIAN STRATEGY FOR TECHNOLOGY IMPORTATION DISCUSSED

Fuzhou FUJIAN LUNTAN [FUJIAN FORUM] in Chinese No 10, 5 Oct 85 pp 22-24, 15

[Article by Jin Hongxun [6855 3126 3065]: "Some Questions Relating to the Importation of Technologies"]

[Text] The distinct policies and flexible measures to facilitate the use of capital from overseas Chinese and foreign sources and the importation of technologies, pursued by Fujian Province under the guidance of the open-door policy, were carried out at a faster pace than in general throughout the country. However, in the importation of technologies, problems have arisen that urgently demand solutions; we must conscientiously sum up experiences and effectively regulate the following relations:

I. The Relation Between "Marching at the Head" and the Importation of Technology

Achieving the strategic objective of quadrupling the gross output value of industrial and agricultural production by the end of this century and successfully meeting the challenge of the new technological revolution in the world are the major tasks facing China in its four modernizations drive. The Central Committee demands that Fujian Province "march at the head" in the country's four modernizations drive. The principal aspects of efforts to "march at the head" are importation of advanced technologies and accelerated economic development. We must, therefore, effectively regulate the relationship between "marching at the head" and the importation of technologies:

1. Our strategic goal in the importation of technologies must be raised higher than generally in the rest of the country. Based on the specific conditions of China, the country as a whole has put forward the strategic objective of "widespread application by the end of this century of the technologies employed in the advanced countries at the end of the 1970's and the beginning of the 1980's." To achieve this nationwide strategic objective, Fujian must appropriately raise the starting point for the importation of technologies, and should consider adopting as the province's strategic objective "achieving by the end of the century the overall technological level generally prevailing nationwide, in some areas the advanced levels prevailing in China, and in some respects the advanced level of world standards." The

decision to adopt this three-level approach to our strategic objective conforms to the general law of technological development and is also apt to meet the demand of "marching at the head" in our technological level of developments.

2. The importation of technologies must precede the upsurge in economic developments. The actual transformation of science and technology into productive forces requires a certain time-consuming process. In the 1960's it took Japan on the average 2 1/2 years for a newly imported technology to actually reach production. In view of conditions in our province, this is the least amount of time that will also be required here. In connection with the importation of technologies, some comrades have had the following idea: During the Sixth 5-Year Plan organize our forces and digest in a planned manner and step by step the large quantity of technology already imported; during the Seventh 5-Year Plan import more advanced technologies according to a definite plan of importation; in the Eighth 5-Year Plan master all advanced technologies which were at world standards at the end of the 1970's and early 1980's that are suitable for China; in the Ninth 5-Year Plan import the technologies of the end of the 1980's and early 1990's, as long as they are suitable for China. Giving consideration to both modernity and usability, the importation of technologies by our province could be carried out more or less in three stages with special emphasis: During the Seventh 5-Year Plan, primary emphasis must be given to the technologies of the late 1970's and the new technologies of the early 1980's; in the Eighth 5-Year Plan primary emphasis must be given to import the technologies of the early 1980's and of the late 1980's, as well as any new technologies of the time; in the Ninth 5-Year Plan primary emphasis must be given to importing the technologies of the late 1980's and also the new technologies of the time to reach a state so that at the end of the century the technological level of Fujian Province will be at a higher level than in general throughout the rest of the country.

3. The economic results from the importation of technologies must be better than those in the rest of the country. Presently, only around 30 percent of the economic growth in Fujian Province is attributed to technological progress. We must energetically seek to transform up to 50 percent of our old enterprises through the importation of technologies by the end of the century, and gradually have over half of the economic growth rely on technological progress. In the course of these efforts we must not only accelerate the importation of technologies, but equally pay attention to the improvement of economic results from the imported technologies.

II. The Relation Between Adjustment of the Production Structure and Importation of Technologies

Economic development in all countries of the world becomes gradually evident in the adjustment of their production structure, and the adjustment of the production structure again relies on technological renovation and development. The importation of technologies must, therefore, serve the adjustment of the production structure.

1. We must foster the concept of a changing pattern of the production structure. Although the production structure of Fujian has already undergone adjustments and experienced great improvements, it is still a traditional and sealed off structural pattern, not at all consonant with the demands of modernization and the situation of opening up to the outside world. In order to achieve an adjustment of the production structure in a planned way and step by step, we must break out from the mentality of a consistent system for our production structure and foster the concept of a changing pattern for our production structure, in order to conform with ever-changing new situations. Importation of technologies must serve the adjustment of the production structure and must be integrated with our planning for industry and trade.

2. We must give primary consideration to the importation of industrial technologies, in promoting a changing pattern for our production structure. We must change our production structure from one that gives priority to agriculture with an integration of industry and service occupations into a pattern that gives priority to industry with an integration of service occupations, and later again transform it into a pattern in which priority is given to the service occupations with an integration of industry and agriculture. At a future stage, we must, therefore, raise the proportion of industry in the economic structure and place main emphasis in our importations on industry, thus import the advanced technologies that can solve our problems regarding the sources of energy and communications and that will help build mainstay industries. Presently, agriculture also occupies a highly important place in Fujian's economic development and exports, and we must also attach importance to the importation of technologies for agriculture, forestry, animal husbandry, sideline production and fishery. We must, furthermore, import appropriate amounts of technology for our service occupations, especially modern technologies for scientific education, banking and the tourist industry, to promote the modernization of our service occupations.

3. Importation of advanced technologies to transform old enterprises and promote the development of newly arising industries. The purpose in transforming old enterprises is not only to expand production capacities and achieve the upgrading and updating of products, but also to gradually raise old enterprises that show favorable conditions to developing newly arising industries. In the importation of advanced technologies, different measures of transformation must, therefore, be adopted for different old enterprises. For those that show favorable conditions for the transformation into newly arising industries we must import modern advanced technologies and transform them into technology-intensive and know-how-intensive types of enterprises. For those that show favorable conditions to become export enterprises capable of earning foreign-exchange we must import advanced technologies and transform them into enterprises that manufacture export commodities targeted for the international markets. For those that are capable of realizing an upgrading and updating of their products, we must import advanced technologies to transform them into enterprises that can develop new products. Those enterprises that will expand their production capacities or raise the quality of their products in a general way should as far as possible use domestic advanced technologies, so as to reduce the need for foreign exchange expenditure. Enterprises that show no prospects at all we should close, suspend, merge or retool, in order to ensure the main objective of importation

of technologies and raise the overall economic results from the importation of technologies.

III. The Relation Between Increased Exports and Importation of Technologies

The link between the importation of technologies and foreign trade is extremely close. On the one hand the importation of technologies will raise the quality of export commodities and enable development of new export commodities and increase their competitive strength; on the other hand the importation of the technologies themselves will promote the trade in technologies. If Fujian wants to shift toward an export-oriented economy, the importation of technologies must focus attention on expanding exports.

1. We must give priority to the importation of advanced technologies that will increase exports and create foreign exchange revenue. First of all, we must follow clear and definite objectives in our technology imports. Under the conditions of an export-oriented economy, one of the important objectives of utilizing overseas Chinese and foreign capital and importing advanced technologies is the expansion of exports. Not being clear and definite on this point easily leads to abandoning efforts to increase exports, thereby adversely affecting the growth of an export-oriented economy. Second, in selecting the particular items we must give preference to those advanced technologies that will help increase exports. At present the technologies that foreign countries sell or transfer to China belong to types that open up markets; their main objective is to seize a large share of China's broad market, which runs counter to China's objective of increasing exports. However, a number among these technologies also produce products that are suitable for return sales or transfer sales to the markets of third countries. While importing very advanced modern technologies, we should, therefore, also strive to import this type of technologies. Third, we must make efforts to develop export commodities. As the items transformed through imported advanced technologies are different from technologies brought in as direct investments, the establishment of brand names and opening of international markets for these items relies completely on our own strength. More efforts will therefore have to expended in this respect than the mere importation of technologies. Any entity that is engaged in importation must take this fully into account.

2. We must integrate the importation of technologies with the creation of foreign exchange revenue through exports and the foreign exchange balance. In the course of feasibility studies in connection with the importation of advanced technologies, our intensive investigations and studies must lead to effective planning as regards sources of foreign exchange, volume of possible foreign exchange created by exports and methods of repaying foreign exchange. The enterprises themselves should as far as possible achieve a foreign exchange balance. However, present conditions that demand that every enterprise must seek a foreign exchange balance creates certain difficulties, because in the early stages of the opening up to the outside world there will generally be many imports but few exports, and comparatively little foreign exchange revenue. Furthermore, in view of the overall situation of economic results in the province, the prefectures , counties and departments, this demand would also be unreasonable. Therefore, those that were even able to

achieve foreign exchange equilibrium but played an important role in the economic development of the province, the prefectures, counties and departments should institute comprehensive foreign exchange balancing with the province, prefectures, counties and departments concerned and establish regions or sectors as units for foreign exchange balancing, some even should be granted foreign exchange supplements by the state. Second, effective measures should be carried out to encourage exports, spurring on enterprises to further expand exports by the importation of technologies. For instance, in financial respects, for enterprises that exceed a prescribed volume of foreign exchange through exports the method should be that after fulfilling their obligations to turn in amounts due to higher authority, whoever creates foreign exchange may have the use of it, the more that is created, the more may be used, and any foreign exchange in excess of requirements may be internally adjusted at favorable prices. For each amount of foreign exchange remitted, the enterprise that earned it through its exports shall be granted favorable payment terms. As to taxation, reduction or exemption from customs duties should be granted for the importation of sophisticated technologies and software. A system of tax refund on marketing products abroad should be instituted for enterprises that use imported advanced technologies and produce export commodities within a certain time limit . For enterprises that manufacture export commodities methods of scaled tax reductions or exemptions and accelerated depreciations should be instituted. In the distribution of profits, those who put imported advanced technologies into production ahead of time should be allowed to retain a part of the savings in investments as bonus. In other words, the same favorable measures as applied in the treatment of Chinese-foreign joint venture and cooperative production enterprises should correspondingly be applied in the case of enterprises that produce export commodities with imported advanced technologies, in order to spur them on to transform imported advanced technologies as quickly as possible into important avenues for sources of foreign exchange through exports.

IV. The Relation Between Functioning as a Window to the Outside World and the Importation of Technologies

There are two lessons to be learned from the importation of technologies by various countries. One is that certain developed countries imported advanced technologies without protective measures, so that their own domestic technologies were squeezed out. The other is that certain developing countries imported advanced technologies without regard for the problems of absorbing them, effecting transformations, carrying out innovations and providing an inducement for their own domestic technologies to develop. Situations as in these two lessons make it impossible for the importing countries to establish or perfect their own technological systems. As Fujian Province is to play the role of a window to the world, it will have to give particular attention to the absorption of imported advanced technologies and to the work of transformation and innovation.

1. Concentrating a certain force on the study and development of technologies of a strategic nature. The enterprises of Fujian Province are rather inept at studying and developing new technologies. Given a certain sophisticated technology, it will indeed be difficult for one enterprise to

study and develop it further. For the purpose of studying and developing technologies of a strategic nature in a planned way, we may consider establishing a provincial corporation for the development of new technologies. Based on the state of science and technology in our province and the needs for an adjustment of our production structure, the task of this corporation would be to specially import the modern advanced technologies of foreign countries, for instance, the designs, blueprints, prototypes and models of electronic technologies, new materials technologies, information technologies, nuclear power technologies, bioengineering technologies and ocean engineering technologies and to institute the study of the current patterns as well as to develop the future patterns of new technologies. Utilizing the favorable condition of our opening up to the outside world, allocating a special fund for these importations, selecting a small group of highly qualified scientific and technological personnel, establishing a corporation for the development of new technologies--similar to the venture corporation--taking the Xiamen SEZ and the Mawei development zone of Fuzhou as basis, and organizing all institutions of higher education and scientific research institutes for a joint assault on the technologies of strategic nature would amount to taking the first step toward the development of new technologies, especially the technologies of the future.

2. We must firmly grasp the absorption of imported advanced technologies, as well as transformations and innovations. First, in our guiding ideology we must be clear that absorption, transformation and innovation are the continuations of the importation of advanced technologies; when one hand grasps importation, the other must grasp absorption. Second, there must be planning not only for importation, but also for absorption; there must be funds not only for importation, but also for absorption. The unit that imports must also be ordered to absorb within a specified time. This must be the foundation for us to do all we can to effect a transformation or innovation as soon as an item is imported. Third, measures of encouragement must be adopted for absorption, transformations and innovations, that is, preferential support must be given by way of funds and foreign exchange needed for absorptions; the creation of new technologies or products must be rewarded with tax reductions or exemptions, in order to stir up additional enthusiasm among the enterprises to carry out absorption, transformations and innovations with regard to imported advanced technologies. Fourth, we must organize a force for a joint assault. There are certain new technologies where it would be difficult for the importing unit to carry out absorption, transformations and innovations all by itself. In such cases consideration should be given to the organization of a regional or sectional force for a joint assault, so as to have the new technology take root and blossom forth.

3. Carrying out importing from abroad and cooperating with units in the interior in order to speed up the transmission of advanced technologies to the interior. The technological level of Fujian Province is comparatively low, and its manpower and material resources are limited. In connecting up with the domestic economy and in the transmission of advanced technologies to the interior, the province must widely carry out importing from abroad and cooperating with units in the interior. In the complementary linkage with the domestic units we must fully utilize the technological strength, equipment and financial resources available in the interior. It may be possible to sign

single-project or comprehensive agreements with universities, colleges and scientific research units in the interior for the purpose of solving the problem of forming complementary linkages with the interior, especially as regards basic technologies. It would also be possible to carry out technological compensation trade with the areas of the interior, that is, to import advanced technologies and cooperate with other provinces and municipalities in the earliest possible manufacture of "foreign merchandise," not only to expand exports, but also to receive goods as repayment for the investments in the other provinces of technologies and for the expenditure for equipment, raw and semiprocessed materials. This would on the one hand be beneficial for complementary linkages within the country as regards imported technologies, and on the other hand promote the transmission to the interior of advanced technologies and the marketing of "foreign merchandise" in the interior, as it could also speed up taking advanced technologies into production; a way to achieve three things with one stroke.

To be effective in disposing of the problems of the above-stated various relations, we have to carry out three changes: First, a gradual shift from a pattern of scattered and piecemeal importations to the importation by trades of lead-technologies to be accompanied by complementary technologies. Second, a gradual shift from giving priority to the importation of hardware to the importation of both hardware and software at the same time. Third, a gradual shift from a pattern of importing for domestic marketing of the products to a pattern of importation that is mindful of both, marketing domestically and abroad. To realize these changes it is crucial that we start out with a strengthening of macroeconomic guidance and raise the scientific character of our work of importing technologies. In accordance with our strategic objective of "marching at the head," we must strengthen the planning of technology imports, fix our medium and long-term import targets, arrange importing times in a rational way, and coordinate the technology import plan with the plan for economic and social development and the plans of the various trades and industries. Only in this way will it be possible to gradually move the import work of Fujian Province on to a road of healthy development.

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CSO: 4006/257

TECHNOLOGY EXPORT FAIR OPENS IN SHENZHEN

HK111213 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS Supplement) in English 11 Apr 86 p 5

[From Louis Liu in Shenzhen]

[Text] China's first major technological exposition opened in the Special Economic Zone yesterday, presenting a range of the country's top export items.

More than 200 firms are taking part in the 10-day China Shenzhen Technology fair, offering the public a rare look at the most advanced Chinese products in fields such as nuclear energy, electronics, aviation, astronautics and defence.

The most spectacular items on show are a replica rocket and satellite and television antenna dishes outside the exhibition hall. But some foreign visitors consider many exhibits far from advanced by international standards and were surprised to see iron grilles, herbal medicines, and even garments on display.

The organizers said most of the products were the results of applied technology.

The telecommunications satellites and Long March II and III rocket launchers are the pride of China's aerospace industry, which hopes to become a serious competitor to the European Ariane Space Consortium and the US space agency NASA.

Visitors are also offered a look at civilian applications of China's nuclear technology, in particular a micro-reactor for scientific and medical use, offered for a highly competitive US$750,000.

The micro-reactor, for instance, might be sold along with nuclear fuel to Pakistan, Hong Kong, Sri Lanka, Zambia and Burma, said Li Zhongping, an engineer at the Atomic Energy Institute.

To show the importance it places on the exposition, Beijing has sent to Shenzhen an array of ministers, vice-ministers and other top government officials, including Ding Heggao, Minister of the Commission of Science, Technology and Industry for National Defence.

About 150 representatives of foreign companies are said to be attending.

Beijing aims to sell its wares to industrialized, as well as developing countries. "We intend to sell our launchers and satellites around the world at prices 15 percent lower than the competition," said Xu Dexin, an engineer at the Academy of Space Technology, adding that negotiations were already underway with five or six countries.

High technology export contracts will enjoy strong legal protection and preferential treatment, Xie Guang, vice-director of the Commission of Science, Technology and Industry for National Defence, said at the fair's opening. He said the state's move to convert its military industry and research into commercial production tied in well with the country's open-door policy.

Many of the products displayed were regarded as confidential until recently.

/12913
CSO: 4010/2015

FOREIGN TRADE AND INVESTMENT

IMPORT OF HIGH TECHNOLOGY TO BE GIVEN PREFERENCE

OW112052 Beijing XINHUA in English 2005 GMT 11 Apr 86

[Text] Boston, 10 April (XINHUA)--A leading Chinese industrial official said here today that in the next five years China would give preference to the import of high technology to boost its economic development.

Speaking at a seminar on technology transfer and business management at the Massachusetts Institute of Technology, Sun Zonghao, deputy leader of the Chinese Economic Management Delegation, said the items to be imported include software, key equipment, basic technology and technical know-how for producing raw materials, basic parts, and components.

The delegation, led by Yuan Baohua, vice minister in charge of the State Economic Commission, is on a tour of the United States at the invitation of the National Committee on U.S.-China Relations.

Sun, director of the Bureau of Enterprise Renovation, the State Economic Commission, continued that another means of introducing foreign technology to China is to start joint ventures with overseas partners. Such ventures covering a period of more than ten years would be exempted from income tax in the first and second profit-making years and allowed a 50 percent reduction in income tax in the third through the fifth years.

In addition Sun said, if investors provide high technology and equipment, a certain proportion of the products may be sold in China.

He told the seminar participants that over the last five years, China completed 200,000 projects of technological transformation, with most related to installation of new production lines and key equipment.

China's cooperation with foreign investors and industrialists has grown steadily over the years. By the end of last year, the country had 2,300 joint ventures, 3,700 enterprises of cooperative management and 120 exclusively foreign-owned firms.

A heated discussion followed his presentation. Responding to a question on how technology imports were handled in China, Sun Zonghao explained that at present any import worth more than five million dollars would be approved by the central government, whereas any sum less than this would be a matter of decision by departments concerned or local authorities.

In reply to another question on foreign currency remittance by overseas business partners, he said any foreign investor or businessman in a joint venture, producing goods of special needs to the Chinese market would have no difficulty in receiving his earnings in foreign currency, if such arrangement was specified in agreement with the approval of the Chinese government.

Attending the 2-day seminar are U.S. and Chinese officials, business executives and industry management specialists. The meeting will continue tomorrow.

/12913
CSO: 4010/2015

HONG KONG FIRM TO PROTECT PRC INVENTIONS SOLD ABROAD

HK010722 Hong Kong SOUTH CHINA MORNING POST (BUSINESS NEWS supplement) in English 1 Apr 86 p 1

[By Paul Sham]

[Text] China Patent Agent (GH) Ltd is to raise US$10 million in Hong Kong from local and foreign sources to protect innovations sold abroad by China's emerging industries.

Liu Gushu, the company's first deputy chairman and general manager, told BUSINESS NEWS the fund will be used largely to pay patent application fees in countries where Chinese technologies are expected to be competitive.

China Patent will not only assist companies who have neither the expertise nor the hard currency to make patent applications alone, but will also help to market promising products. Details of the money-raising have yet to be worked out, but the money pool will form an investment fund similar to those in Hong Kong, Mr. Liu said. "It will be a combination of business to tap the market potential of China's technology overseas and contribute to boosting the country's foreign exchange earnings."

China Patent was originally appointed by China's State Council to receive applications for registration of patent rights and trade marks from foreign firms in China. Its planned wider role has been prompted by expected good demand for Chinese inventions and the need to ensure they are adequately protected.

An allotment of US$500,000 to China Patent early this year to apply for foreign patent applications has already been used, and the company is to invest an equal amount in the second half.

The 20 Chinese innovations so far in line for patent protection include a power generator, transmission device, and teaching and X-ray equipment.

According to a recent report by INTERNATIONAL BUSINESS, a Beijing-based trade journal, China has signed more than 30 outbound technology transfer agreements with other countries since 1980. Their total value was US$10 million.

During the technology fair held at Birmingham last October, about 20 of the 29 inventions and processes exhibited by China resulted in signed agreements or letters of intent with foreign companies. By the end of last year, China had registered 20,000 local innovations, of which about 1,000 were the subject of applications for patent rights inside the country.

Meanwhile, Mr Liu said, proposals to set up a China Technology Development Co as a joint venture between China Patent and the State Council's Patent Law Office are still at the discussion stage. The delay in establishing the company, which had been due to open after Lunar New Year, reflects the recent cautious attitude of China towards commercial enterprises opened by government departments, said Mr Liu. "We have to wait until the government has a clearer policy on that."

In addition to promoting Chinese technology in overseas markets, the joint venture would also handle the importation of advanced technology by China.

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CSO: 4010/2015

STATE COUNCIL PROMULGATES CIVILIAN AIRPORT REGULATIONS

OW140225 Beijing XINHUA Domestic Service in Chinese 0114 GMT 13 Apr 86

[Text] Beijing, 13 Apr (XINHUA)--The State Council on 6 April promulgated the "Provisional Regulations Regarding the Control of Civilian Airports." The regulations went into effect on the day of promulgation.

There are 14 articles in the regulations. They apply to airports used by civilian aircraft when carrying out civil air transport, aeronautic training, and aeronautic operations. They do not apply to temporary seasonal airports for use in conducting aeronautical operations and temporary helicopter takeoff and landing points. All civilian airports will be placed under the control of the relevant departments of the Civil Aviation Administration.

It is stipulated in the regulations that a civilian airport cannot open for operations unless an airport operations permit has been obtained. Application for such a permit should be submitted to the Civil Aviation Administration by the organs in charge of the airports, and the permit will be issued by the Civil Aviation Administration only after it has examined and approved the application.

The State Council set forth the following requirements for a civilian airport applying for an airport operations permit. 1) In possession of documents of approval for the construction of the airport and documents certifying the examination and approval of the completed construction. 2) In possession of an allocation of the flying zone and operations zone compatible with the types of aircraft using the airport, their operations forms and operational capacities as well as the relevant facilities and personnel. 3) In possession of the flight control, telecommunications, navigational and meteorological facilities and personnel capable of guaranteeing normal flights and flight safety. As regards an airport to be open to instrument flights, it must be able to meet the stipulations laid down by the Civil Aviation Administration for instrument flights. 4) Equipped with security protection devices. 5) Equipped with a contingency plan to cope with extraordinary situations and the needed facilities and personnel.

It is stipulated in the regulations that an international airport must have the conditions for international flights and complete the examination and approval procedures pursuant to the relevant regulations of the state. The decision to open an international airport for operations will be announced to the public by the Civil Aviation Administration. The Civil Aviation Administration will handle all matters concerning the supply of information about an international airport to foreign countries. The land occupied by a civilian airport will be placed under the centralized and planned control of the organ in charge of the airport and no unit or individual is permitted to take it over.

The document also contains some specific provisions concerning the duties of the organ in charge of an airport, the protection of clear visibility over the airport, and environmental protection.

/12858
CSO: 4006/930

BRIEFS

NANJING PORT DATA--Nanjing Port is situated on the lower reaches of the Changjiang. The water depth of the port itself and the water channel is above 10 meters. There are more than 150 wharves of various sizes. It is capable of berthing 75 vessels of 2,000-5,000 tons, or 14 vessels of 10,000 tons. It is China's largest inland river port. It handled 36.63 million metric tons of cargo, carried 1.7 million passengers, and turned in 40.02 million yuan of profits to the state in 1985. It is China's fourth largest port after Shanghai, Dalian, and Qinghuangdao. [Summary] [Nanjing Jiangsu Provincial Service in Mandarin 2300 GMT 20 Jan 86 OW] /12858

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China Report

ECONOMIC AFFAIRS

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HAINAN EARNS $81 MILLION FROM EXPORTS IN 1985

HK050120 Beijing Zhongguo Xinwen She in Chinese 0656 GMT 3 Apr 86

[Text] Haikou, 3 Apr (Zhongguo Xinwen She)--Hainan Island continues to sustain its export momentum, with exports increasing by a large margin. Its export volume was $81.13 million in 1985, more than double last year.

Hainan's exports are mainly agricultural and sideline produce, local products, mineral products, and handicrafts. The gross value of exports in agricultural and sideline produce was $51 million and more, which accounted for 63 percent of the total volume of foreign currency gained from exports, light industrial products accounted for 16 percent, and mineral products 13.79 percent.

The variety of Hainan's export commodities has also increased with every passing year. In 1985, the variety of export commodities included 122 items, up by 35 items from the previous year, of which 19 items each had an export volume over $1 million, such as sesame, pepper, maize, vegetable, canned food, cashew nuts, and herbs.

According to a person concerned of the Hainan Administrative Region, Hainan Island will focus on building export commodity bases on the original basis for six major products such as pepper, tea, cashews, canned pineapple, spring crops like melons and vegetables, and prawn breeding. By the year 1990, Hainan Island will have brought in through exports between $200 million and $240 million in foreign currency.

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GUANGDONG'S ECONOMIC STATISTICS FOR 1985

HK130826 Guangzhou NANFANG RIBAO in Chinese 2 Mar 86 p 2

[Report: "Statistical Bulletin on Economic and Social Development in 1985 Issued by the Guangdong Provincial Statistical Bureau on 22 March 1986"]

[Text] In 1985, under the leadership of the Guangdong Provincial CPC Committee and Provincial People's Government, the people throughout our province further carried out the reform of the economic structure, continued to implement the policy of enlivening the domestic economy and opening up to the outside world, and continued to adopt special policies and flexible measures to promote the work on various fronts and promote the economic and social development of our province. An open zone was initially formed in the coastal areas and the pace of construction in the special economic zones was accelerated. A relatively high-speed and steady growth was maintained in both industrial and agricultural production. The market was brisk, revenues increased, and the scale of credit and money put into circulation was brought under control. Both urban and rural residents incomes also increased, and new progress was achieved in building spiritual civilization. Various targets set by the 6th 5-Year Plan for economic and social development were successfully fulfilled. In 1985, the total product of society reached 108.5 billion yuan, an increase of 20.6 percent over the previous year; national income reached 49.7 billion yuan, up 18.2 percent; total industrial and agricultural output value was 69.1 billion yuan, an increase of 20.7 percent; and the gross domestic product was 59 billion yuan, up 18.5 percent. The main problems of the national economy are: the scope of investment in fixed assets was excessively large, electric power was in short supply, and prices were rising too much.

I. Agriculture

In 1985, Guangdong took a new step forward in reforming the system of state monopoly for the purchase of agricultural products and readjusting the production structure and achieved an all-round development in the rural economy. The total agricultural output value for the year reached 23.05 billion yuan, a 12 percent increase over the previous year, in which the proportion of forestry, animal husbandry, fishery, and sideline production increased from 57 percent to 61.1 percent. After taking away that created by township and village industries, the total agricultural output value was 17,466,000,000 yuan, up 6.8 percent.

Greater efforts were made to readjust the structure of crop cultivation. Due to the reduction of the area sown and natural calamities, grain output dropped by 2,341,400 tons last year, but the area sown and output of major industrial crops greatlv increased.

The output of major agricultural products was as follows:

	1985 Output (tons)	Percentage Increase Over 1984
Grain	17,261,100	-12.0
Sugarcane	22,370,600	28.7
Peanuts	605,300	6.1
Jute, ambary hemp	113,500	74.4
Tobacco	49,100	39.8
of which:		
flue-cured tobacco	22,900	47.7
Tea	22,600	13.0
Silkworm cocoons	27,000	14.4
Fruit	1,219,400	53.9

A total of 9,729,000 hectares was afforested in 1985, about the same as in the previous year.

There was a continuous growth in the output of animal products. The total output of pork, beef, and mutton for the whole year reached 1,085,700 tons, an increase of 11.4 percent over the previous year. The number of hogs slaughtered was 13,921,000, an increase of 6.2 percent, and the number of hogs in stock at year end was 21,501,700, an increase of 5 percent, while there were 21,501,700 head of cattle in stock, an increase of 3.5 percent. The output of milk was 42,200 tons, up 2.2 percent.

Fishery production developed steadily. The total output of aquatic products was 1,183,000 tons, 14.3 percent over the 1984 figure. Of this, the output of marine products, 664,800 tons, was up 8.1 percent, while that of fresh-water products, 518,200 tons, was up 23.4 percent.

The output of all tropical crops, except for rubber which dropped slightly, increased by a comparatively big margin over the previous year.

There was an increasing number of farm machines and the use of electricity in the countryside. At the end of 1985, the province's farm machines represented 12,982,100 horsepower, an increase of 4.7 percent over the same period in 1984. There were 17,600 large- and medium-sized farm tractors, a drop of 5.2 percent; 236,800 small-capacity and hand tractors, an increase of 11.4 percent; and 29,100 trucks for farm use, up 7 percent. A total of 1,104,100 tons of chemical fertilizer was applied on farms in 1985, an increase of 6.6 percent over the previous year, with an average of 24.26 kg per mu of land, 2 kg higher than the 1984 figure. The countryside used 2,753 million kilowatt-hours of electricity last year, up 10.5 percent.

By making a full use of advanced equipment, the meteorological departments made greater efforts to carry out scientific research and strengthened their forecasts of natural calamities, thus protecting the people's property and achieving better socioeconomic results.

II. Industry

In 1985, along with the further development of the reform of the industrial system and readjustment of the industrial structure, industrial production achieved a steady development at a relatively high pace. The total industrial output value of the year reached 46,086,000,000 yuan, which was an increase of 25.6 percent over the previous year. If the output value of township and village industries is included, the total industrial output value would be 51,670,000,000 yuan, an increase of 26.3 percent. Of this, that of state-owned industry increased by 18.4 percent, that of collectively-owned industry increased by 30.7 percent, that of various types of joint ventures and cooperative industry increased by 87 percent, and that of individual industry in cities and towns increased by 279 percent.

Output targets were reached or surpassed for 82 of 107 major industrial products, or 76.6 percent, including television sets, radio-recorders, electric fans, bicycles, sugar, steel, cement, and detergents. While targets for the 25 other products, including salt, refrigerators for household use, washing machines for household use, and chemical fertilizer, were not reached, constituting 23.4 percent of the major industrial products.

In light industry, the output of marketable and high-grade products increased by a big margin, with improved quality and more famous brand quality products produced. The annual light industry output value totaled 30,528,000,000 yuan, an increase of 25.6 percent over the previous year. Of this, the electronics industry rose by 21.4 percent and the textile industry by 20.7 percent.

The output of major light industry products was as follows:

	1985 Output	Percentage Increase Over 1984
Cotton yarn	68,700 tons	27.0
Cotton cloth	251 million meters	19.0
Chemical fibers	31,065 tons	61.4
Silk	2,549 tons	- 0.7
Paper and paperboard	526,300 tons	19.7
Sugar	1,720,000 tons	39.3
Beer	162,000 tons	73.6
Salt	582,600 tons	- 3.5
Chemical pharmaceuticals	2,201 tons	1.0
Detergents	54,200 tons	36.5
Bicycles	2,050,900	14.9
Sewing machines	1.6 million	0.3
Wrist watches	8,791,000	202.6
of which:		
mechanical watches	965,000	-24.3
Radios	1,179,600	124.7
Recorders	5,092,700	95.1
Television sets	1,340,600	134.5
of which:		
color television sets	1,009,800	293.1
Washing machines for household use	778,600	91.8
Cameras (metal)	186,000	40.5
Refrigerators for household use	240,400	64.5
Electric fans	13,100,500	97.8
Light bulbs	80,520,000	- 1.6

In 1985, the output value of heavy industry was 15,558,000,000 yuan, an increase of 25.7 percent over 1984. Of this, the engineering industry (heavy industrial products) rose by 54.9 percent, the building material industry rose by 34.6 percent, and the metallurgical industry rose by 15 percent.

The output of major heavy industrial products was as follows:

	1985 Output	Percentage Increase Over 1984
Coal	8,122,700 tons	- 3.7
Refined crude oil	6,910,700 tons	- 1.2
Electricity	17,517 million kilowatt-hours	13.2
of which: hydroelectricity	7,696 million kilowatt-hours	10.9
Pig iron	634,300 tons	21.8
Steel	697,000 tons	24.2
Finished steel products	787,600 tons	217.0
Iron ore (raw ore)	7,494,900 tons	1.2
Timber	4,328,700 cubic meters	- 4.1
Cement	11,499,700 tons	33.6
Plate glass	859,900 standard cases	7.2
Sulphuric acid (100 percent)	647,900 tons	2.1
Caustic soda	83,400 tons	4.4
Chemical fertilizer	599,900 tons	- 5.0
Boilers for industrial use	1,593 tons	101.6
Internal-combustion engines (sold as commodities)	916,100 horsepower	49.9
Power generating equipment	62,400 kilowatts	69.1
Small tractors	33,600	10.9

Better economic results were achieved in industrial production, and the quality of industrial products was improved. Per capita labor productivity in industrial enterprises owned by the whole people was 16,881 yuan, an increase of 18.2 percent over 1984. The rate of provincial fine-quality products was 11.1 percent, an increase of 0.3 percent. Twenty products were awarded state gold and silver medals, 139 products won ministry fine-quality awards, and 369 products won provincial fine-quality awards. New achievements were also made in the efforts to save energy. Compared with the previous year, 41 of the 55 indices for energy consumption per unit of comparable products dipped, and energy consumption per 10,000 yuan of output value was 3.54 tons of standard coal, down by 6.4 percent, saving 1.09 million tons of standard coal a year. The budgeted profits of locally-administered state enterprises and the taxes levied on the sales of their products rose by 27.9 percent over the previous year, while the losses incurred dropped by 19.1 percent. But the total cost of comparable products still went up 7.3 percent and the proportion of enterprises suffering losses was still a bit higher.

III. Investment in Fixed Assets

Total investment in fixed assets by state-owned units in 1985 was 13,781,000,000 yuan (including that of the special economic zones, which was 3,894,000,000 yuan), an increase of 62.8 percent over 1984. Of this, investment in capital construction was 10,346,000,000 yuan, an increase of 69.2 percent, and that in local projects included in the plan for capital construction was 3,083,000,000 yuan (not including the special economic zones), an increase of 58.4 percent. Of the investment in capital construction, that covered by the national budget was 1,522,000,000 yuan, up 13.1 percent; that using internal loans was 2,321,000,000 yuan, up 22.5 percent; that using foreign capital was 1.53 billion yuan, up 70 percent; and that using self-collected funds was 3,977,000,000 yuan, up 138 percent. Investment for renewing and transforming old projects was 3,435,000,000 yuan, up 46.2 percent, of which investment covered by the national budget was 64 million yuan, down 64.3 percent; that using internal loans was 1,567,000,000 yuan, up 115 percent, that using foreign capital was 185 million yuan, up 79.6 percent, and that using self-collected funds was 1,472,000,000 yuan, up 16.8 percent.

Of the total investment in fixed assets owned by the whole people, investment in productive construction was 8,063,000,000 yuan, an increase of 64.8 percent over the previous year; and investment in nonproductive construction, such as in building public facilities, houses, schools, and hospitals, was 5,718,000,000 yuan, an increase of 60.2 percent.

Of the total investment in various sectors of the national economy, investment in energy, transport, and telecommunications, and culture and education, and scientific research departments registered a more rapid increase in 1985. Of this, investment in the energy industry was 918 million yuan, as increase of 37.6 percent over the previous year; that in transport and telecommunications was 2,039,000,000 yuan, an increase of 36.9 percent; and that in cultural and educational undertakings, public health, and scientific research departments was 868 million yuan, an increase of 50.4 percent.

In 1985, new fixed assets turned over to state-owned units were valued at 8,831,000,000 yuan, and the rate of availability of such assets was 64.1 percent. Of Guangdong's 81 large- and medium-sized major capital construction projects, 14 projects and 8 single-item projects were completed and put into operation. Of the 87 projects for renewal and transformation, with a value of over 10 million yuan each, 20 were completed and put into operation. The Shaoguan Power Plant, the Anpu Sugar Refinery, and the Beijing-Wuhan-Guangzhou coaxial project were also completed and put into operation. Newly-added annual production capacity for the whole province consisted of facilities for producing 375,000 tons of coal, 357,300 kilowatts of power-generating capacity (including 347,500 kilowatts of thermal power-generating capacity), 644.7 kilometers of power-transmission line (above 110,000 volts), 1,286,600 tons of cement, 389,300 tons of sugar, 720,000 recorders, and 220,000 television sets. The cargo-handling capacity at 26 newly-built docks was 6,535,000 tons. In 1985, the province purchased 29 new ships, totaling 252,000 tons, newly-built or rebuilt 2,123 kilometers of highways, established 3,354 kilometers of long-distance electric cables and 1,466.9 kilometers of microwave circuits, and purchased telephone exchanges capable of putting through 54,000 lines. Some 13,900 beds were added to guesthouses and hotels, and 367,200 new seats were offered for students. Running water supply capacity was increased by 436,100 tons a day. Also, some 1,831 public vehicles were purchased to improve urban traffic.

A steady development was achieved in the building industry. The total output value of locally-administered state building and installation enterprises increased by 40.7 percent over the previous year, and all-staff labor productivity reached 11,000 yuan, an increase of 24.9 percent.

New progress was made in geological prospecting. In 1985, the total drilling footage for geological prospecting was 101,000 meters, 101 percent of the annual plan. Eight major mineral resources were discovered. Newly-verified reserves of six major minerals, including kaolin and arenaceous quartz, met or topped state targets. New progress was also achieved in exploring for Nanhai oil, and the rate of success in well-drilling was raised.

IV. Transport, Posts, and Telecommunications

In 1985, the construction and management of provincial transport facilities were strengthened. Both the passenger and freight transportation volumes increased continuously. Total freight volume handled by provincial transport departments reached 160.52 billion ton-kilometers, up 4.5 percent over 1984. Of this, the volume of railway freight transport was 10,228,000,000 ton-kilometers, up 11.8 percent; the volume of road freight transport was 641 million ton-kilometers, up 1.7 percent; the volume of waterway cargo transport was 149,610,000,000 ton-kilometers, up 4 percent; and the volume of air freight was 38 million ton-kilometers, up 46.2 percent. The volume of cargo handled at major sea ports was 38.39 million tons, up 5.6 percent. The volume of passenger transportation by all means reached 25,338,000,000 person-kilometers, a 16.6 percent increase over 1984. Of this, railways accounted for 5,041,000,000 person-kilometers, an increase of 21.1 percent; roads, 16,191,000,000 person-kilometers, up 13.6 percent; air, 2,109,000,000 person-kilometers, up 51.8 percent; and waterways, 1,997,000,000 person-kilometers, up 4.1 percent.

There was a considerable increase in post and telecommunications transactions in 1985, and the backward situation in this field was greatly improved. Total post and telecommunications transactions for the whole province were 219 million yuan, an increase of 30.2 percent over 1984. Of this, letters increased by 15.9 percent, telegrams increased by 34.9 percent, and long-distance calls increased by 38.4 percent. However, the development of telecommunications still cannot satisfy the needs of the development of the national economy and the people's livelihood.

The all-staff labor productivity of transport, post, and telecommunications departments was raised to a certain extent. That of civil aviation departments rose by 42 percent; that of highway departments rose by 8.4 percent; and that of post and telecommunications departments rose by 18.7 percent. There was also a considerable increase in the profits gained by these departments, of which railways increased by 37.3 percent and post and telecommunications enterprises increased by 37.4 percent.

V. Domestic Trade and Material Supply and Marketing

With the development of industrial and agricultural production and the further reform of the commercial system, the channels for commodity circulation were unclogged and the market was brisk and prosperous. In 1985, the total value of commodities purchased by state-owned commercial departments and supply and marketing cooperatives reached 27.75 billion yuan, topping the previous year by 29.6 percent. Of this, the value of industrial products was 21.83 billion yuan, an increase of 40.7 percent, and that of agricultural and sideline products dropped by 2.8 percent due to the expansion of rural fair trade, relaxed policies on pig and poultry raising and purchasing of eggs, and abolition of the system of state monopoly for purchases. Purchases of some major industrial and agricultural products surpassed those of 1984. Among them, the purchase of cotton and chemical fiber blend cloth rose by 57.2 percent, polyester and cotton blend cloth 58.2 percent, washing machines 97.2 percent, recorders 90.9 percent, refrigerators 210 percent, electric fans 340 percent, edible oil 29.4 percent, tea 230 percent, oranges and tangerines 79.6 percent, and jute (ambary) 120 percent.

Total volume of retail sales in 1985 was 34,319,000,000 yuan, a 25.6 percent increase over 1984, or a 10.5 percent increase if the rise in retail prices is excluded. Of this, the sale of consumer goods went up 26.2 percent, and that of the means of agricultural production rose by 9.6 percent. There was an overall increase in the retail sales of various economic forms, but those of the joint venture and individual units rose more quickly. The retail sales volume of state-owned enterprises was 15,665,000,000 yuan, up 16.5 percent; that of collective enterprises was 9,604,000,000 yuan, up 14.8 percent; that of joint venture enterprises was 923 million yuan, up 55.5 percent; that of individual units was 5,408,000,000 yuan, up 78.8 percent; that of the enterprises solely run by overseas Chinese and Hong Kong and Macao compatriots increased by 76.2 percent; and that of goods sold by the peasants to nonagricultural residents was 2,716,000,000 yuan, up 42.9 percent.

The consumption structure of both urban and rural residents was somewhat changed in 1985. The proportion of retail sales of food and drinks dropped from 50.5 percent in 1984 to 47.6 percent, that of clothing dropped from 14.8 to 13.5 percent, and that of daily necessities rose from 21.2 to 25.7 percent. There was a considerable growth in the retail sales of main consumer goods. Of this, the sale of grain went up 11.5 percent, sugar 21.8 percent, eggs 29.2 percent, tea 11.6 percent, woollen goods 42.6 percent, clothes 10 percent, wrist watches 61.7 percent, electric fans 200 percent, recorders 100 percent, television sets 24.2 percent, washing machines 56.7 percent, refrigerators 99.4 percent, and bicycles 19.7 percent.

The economic results achieved by provincial commercial department, the grain bureau, and the supply and marketing cooperative in 1985 were as follows: The net commodity sales volume continued to grow. Compared with 1984, it went up 23.1 percent. The gross profit rate rose by 2.4 percent, while the rate of expenses dropped by 5.3 percent. Both profits on operations and profits realized increased. Profits realized by the commercial departments increased by 44.6 percent, that of the grain departments decreased, while the supply and marketing cooperatives made up deficits and increased surpluses. The profit and tax rates of the circulating funds of these departments rose by 54 percent, and the value of losses suffered by the relevant units declined by 41.2 percent. But the speed of circulation of the circulating funds was 13 days slower.

The reform in the commercial circulation sphere made much headway, and a circulation system characterized by multiple channels, fewer links, and opening up was gradually established, which promoted the prosperous development of the commercial economy. Of the more than 4,000 small commercial enterprises onwed by the state and dealing with retailing and the catering and service trades, 92.7 percent were changed into state enterprises run by the collective, 1.7 percent were changed into collective enterprises, and 5.6 percent were leased to individuals. The volume of business in both urban and rural markets reached 7,148,000,000 yuan, a 32.9 percent increase over 1984.

Market prices rose by a considerably big margin. In 1985, the general retail price index went up 13.6 percent over the previous year, of which that of consumer goods was up 14.8 percent and that of the means of agricultural production up 4.4 percent. The price index for the workers' living expenses rose 17.1 percent, the overall level of purchase prices for farm produce and sideline products rose 14.9 percent, and the general price index for rural fair trade rose 18.1 percent. The retail price index of cities and county towns rose 17.5 percent, while that of the countryside rose 9.1 percent. Judging from different categories of commodities, the price of food as a whole rose 19.9 percent, with vegetables up 46.2 percent, meat, poultry, and eggs up 28.9 percent, and aquatic products up 24.3 percent; the price of clothing rose 3.1 percent; that of daily necessities rose 4.6 percent, of which furniture rose 9.4 percent; commodities for cultural and recreational activities rose 2.6 percent; books, newspapers, and journals 19.4 percent; pharmaceuticals and medical appliances 3.1 percent; and fuel 16.0 percent. However, the phenomenon still existed that some units did not strictly observe relevant regulations on price controls and indiscriminately raised prices or raised prices in disguised forms.

The total value of consumption of the means of production rose 25.8 percent in 1985. Compared with the previous year, the consumption of coal rose 8.8 percent; pig iron 16.3 percent; steel products 24.2 percent; cement 23.3 percent; and timber 11.7 percent. With the gradual development of reform of the commodity circulation system and the expansion of the role of market regulation, the volume of business of the productive means trading center of the material departments reached 340 million yuan in 1985, a 660 percent increase over 1984. The period for circulation of fixed-quota floating funds was 47 days, 8 days shorter than the previous year.

VI. Foreign Trade and Tourism

In 1985, our province adopted positive measures to encourage exports and improve management. Both imports and exports were thus further promoted.

Total purchases for foreign trade were 5,608,000,000 yuan, an increase of 42.2 percent over 1984, [wai mao chu kou: 1120 6319 0427 0656] fulfilling 110.6 percent of the planned target. Total foreign export value was 2,898,000,000 yuan, up 15.7 percent, of which the value of export trade [mao yi chu kou: 6319 2496 0427 0656] was 2,483 million yuan, up 14.8 percent.

New headway was made in foreign economic and technological cooperation and in using foreign capital. In 1985, 12,000 contracts on using foreign capital in various forms were signed, according to which some $2,340,000,000 of foreign funds would be used, an increase of 47.5 percent over the previous year, but only $770 million of foreign funds were actually used. The number of Chinese-foreign joint venture and cooperative enterprises and the enterprises solely run by businessmen from the outside is increasing in our province.

In 1985, some 39 contracts on building projects abroad and on labor cooperation were signed, amounting to $17,330,000. The volume of business fulfilled in the whole year was $23,500,000.

Tourism was further developed. By the end of 1985, including the Foshan port, the Guanghai port of Taishan County, and the Lianhuashan port of Fanyu County, which were newly-opened with the approval of the State Council, there were altogether 23 passenger transit ports in our province. The number of people entering our province last year was 16,780,000, a 40.1 percent increase over the previous year. The number of people, coming from 116 countries and regions, who were received by the tourist departments in 1985 and who came on tours or visits, to see their relatives and friends, or to engage in various exchange activities, was 1,850,000, an increase of 0.8 percent. Among them, there were 586,000 foreigners, an increase of 5.7 percent, and 1,265,000 overseas Chinese and Hong Kong and Macao compatriots, a 1.3 percent decrease. Annual foreign exchange income was equal to 695 million yuan, a 42.4 percent increase over the previous year.

VII. Special Economic Zones and Open Cities

Through large-scale construction over the past few years, the investment environment has been greatly improved in the special economic zones of our province. More and more foreign funds have been introduced, industrial production has gradually developed and the economic construction is advancing full steam ahead. In 1985, total investment in capital construction made by the Shenzhen Zhuhai, and Shantou special economic zones was 3,840,000,000 yuan, an increase of 88 percent over 1984. Some 682 contracts were signed with foreign firms on using foreign funds in various forms, according to which the foreign firms should invest $870 million, an increase of 27.7 percent. The foreign funds actually used were $250 million.

In 1985, a continuous and steady development was achieved in various economic construction projects in the Shenzhen Special Economic Zone. Basic facilities were becoming more perfect day by day. More attention was paid to the import of advanced technological and productive equipment, and great efforts were made to strengthen industrial construction. The development of export-oriented industrial enterprises was comparatively faster than the other. In the whole year, Shenzhen City invested 2.9 billion yuan in capital construction, a 78.3 percent increase over 1984. Foreign funds actually used by this city were $220 million, a 6.7 percent increase. Total industrial output value was 2.33 billion yuan, a 56.4 percent increase.

On the basis of improving basic facilities and the investment environment, the Zhuhai Special Economic Zone made great efforts to develop the export-oriented economy step by step. The city invested 810 million yuan, a 125 percent increase over the previous year.

After completing the construction of the first-phase projects of the Longhu Industrial Zone, the Shantou Special Economic Zone continued to develop the second-phase projects. In 1985, the special zone invested 110 million yuan in capital construction, which was an increase of 143 percent over 1984. The construction of factory buildings and warehouses for common use, management buildings, ports, and daily service facilities was basically completed. Now, an environment suitable for foreign investment has already been created in this special economic zone, which has considerable productive capacity.

Owing to the relaxed policies and the extension of the limits of authority, Guangzhou and Zhanjiang, coastal port cities opened to the outside world, became more active in foreign economic activities and achieved a vigorous development in their economic construction in 1985. The construction of factory buildings, ports, and telecommunications facilities in the economic and technological development zones of the two cities is developing quickly. More major projects on Hainan Island have been totally or partly completed and put into operation. Basic facilities on this island have been greatly improved over the past year and a good trend has appeared in introducing investment from abroad and establishing lateral ties at home, laying a good foundation for further development and construction in the future.

VIII. Science, Education, and Culture

Science and technological undertakings advanced in the course of reform. The ranks of scientists and technological workers were growing steadily and great scientific and technological achievements were made. In 1985, there were 274,200 natural sciences scientists and technicians working in the state-owned units of our province (not including the units of the central authorities stationed in this province), an 8.9 percent increase over the previous year; and the number of social sciences scientists and technicians was 168,200, an increase of 24.9 percent. In the whole year, the province made some 500 important scientific and technological achievements.

Greater importance was attached to the educational undertakings by the whole society. The educational setup was further readjusted, new successes were achieved in running schools at all levels and through various channels, and the quality of both the teachers and education was improved. There were 44 institutions of higher learning in our province in 1985, 7 more than in 1984, enrolling 1,547 postgraduate students in the same year, 743 more than in the previous year. There were a total of 2,901 postgraduate students studying at school, 912 more than in 1984, and 654 postgraduate students graduated. There were 74,300 students studying in institutions of higher learning, 16,000 more than the previous year, the number of students of finance, law, and other professions urgently needed by the society increased more rapidly. The number of students in adult institutions of higher learning was 111,400 a rise of 33,300. Secondary education also advanced amid the reform. The number of students in ordinary middle schools was 2,668,600, or 181,000 more than the previous year; in secondary vocational schools (including secondary normal schools), 72,400 or 11,600 more; in technical schools, 14,800 an addition of 4,200; and in agricultural middle schools and workers' middle schools, 123,600, a rise of 43,400. There were 98,000 students in the adult secondary vocational schools, 8,200 more than in 1984, and 160,000 in adult secondary schools. Marked achievements were made in universalizing primary education. The enrollment rate of school-age children rose from 97.7 percent in 1984 to 98.1 percent in 1985. Since there were fewer school-age children, the number of students in primary schools dropped by 206,206,900 and was 7,584,900 in 1985. Much attention was devoted to preschool education. There were a total of 1,002,300 preschoolers in kindergartens last year, an increase of 153,300 over the previous year. Education for the blind, the deaf, and the dumb, and the retarded was also developed.

The development of culture, art, journalism, broadcasting, television, and publication has promoted the construction of socialist spiritual civilization in our province. In 1985, the province had 6,010 film projection units of various kinds, 171 art performance troupes, 123 cultural centers, 117 public libraries, 106 museums, 18 broadcasting stations, 14 radio transmitting and relay stations, 15 television stations, and 16 television transmitting and relay stations with capacities above 1,000 watts. In the whole year, 10 feature films were produced, 1 more than in the previous year, and 187 new films of all kinds (full-length films) were distributed. Ten TV dramas and 31 short pieces for TV broadcast were produced. A total of 1,752,000,000 copies of newspapers, 130 million copies of magazines of all kinds, and 364 million copies of books were published in 1985, respectively an increase of 7.2, 1.3, and 18.2 percent over the previous year.

IX. Public Health and Sports

A steady development was achieved in medical and health work. By the end of 1985, the total number of hospital beds in our province reached 116,900, an increase of 4.3 percent over the previous year. The number of professional health workers totaled 202,300, a 2.7 percent increase. This included 73,900 registered doctors (including 43,000 doctors of traditional Chinese medicine), a 2.2 percent increase, and 38,300 registered nurses. The patriotic health campaign continued to develop, and epidemic prevention work was strengthened. Snail fever, which had spread along the middle and lower reaches of Beijing in our province for more than 100 years, was finally eliminated.

In 1985, gratifying achievements were made in sports. In world contests, our athletes won nine world championships, five runners-up, and five third places.

An athlete broke a world record twice. A total of seven championships, seven runners-up, and two third places were won in Asian contests, and four athletes broke three Asian records four times while another athlete equaled an Asian record. In national contests, 7 athletes broke 6 national records 8 times, and the province won 59 medals, 53 silver medals, and 57 bronze medals. In the first national youth sports meet, our province also won 40 gold medals, 30 silver medals, and 22 bronze medals.

Mass participation athletics developed vigorously. A total of 1,096 sports meets were held in our province last year, which were participated in by 372,900 people. About 3.52 million people were qualified for the state standards for physical training.

X. People's Livelihood

The year 1985 saw continued improvement in the people's standard of living and a continued increase in their income. A sample survey of 2,935 peasant households in 37 counties showed an average annual per-capita income of 495.3 yuan (including 426.98 yuan from productive activities), which was an increase of 16.5 percent over the previous year, or a 9.8 percent increase if price increases are factored. According to a sample survey of 1,600 worker households in 19 cities and counties, the average income of city and town residents which could be spent on living expenses was 900.7 yuan per capita in 1985. Of this, the average income of city residents was 967.6 yuan per capita, an increase of 24.8 percent over the previous year, or a 6.6 percent increase if the cost-of-living index was factored.

In 1985, a total of 399,000 people awaiting jobs in the cities and towns of our province were given jobs. By the end of the year, the number of workers and staff members came to 7,588,100, this being 314,600 more than it was a year before. There were 363,000 individual workers in cities and towns, 83,900 more than a year before. Owing to the wage reform and adoption of the new wage system, the total amount of wages continued to increase in 1985. Annual wages of workers and staff members in our province totaled 9,820 million yuan, a rise of 20.4 percent over 1984. Of this, there were 2,104,000,000 yuan of bonuses and above-quota piece rate wages, an increase of 18.4 percent. The average annual money wage (including bonuses, allowances, and subsidies) was 1,388 yuan, 16 percent more than in the previous year. If the rise in prices is factored, there was still an increase in the actual income of most workers and staff members. But due to the uneven economic development in various areas and enterprises, the actual income of a small number of workers and staff members greated decreased.

Living conditions for both urban and rural residents were continuously improved and savings deposits showed a rapid increase. Housing projects completed by state-owned units totaled 9,105,000 square meters in 1985, and those completed by rural collective units and by the peasants individually were 26,657,000 square meters. Total bank savings in urban and rural areas was 16.72 billion yuan by the end of 1985, or 42.2 percent more than at the end of the previous year.

Affairs concerning civil administration were further developed and achievements were made in social fosterage work. In 1985, a total of 48 social welfare projects were established at and above the county level by the civil administration departments of our province, taking in 3,332 people. In the countryside, some 122,600 orphans, old people, handicapped, and infants were provided for by the collective economy.

XI. Population

Population by the end of 1985 was 62,531,000, which was 872,000 more than the end of the previous year. Headway was made in controlling the growth of population. According to a sample survey of 342 points in 39 cities and counties, the birth rate of the year was 2.07 percent, the death rate was 0.633 percent, and the natural growth rate was 1.437 percent.

Explanations: Total product of society is summation of the output value of agriculture, industry, construction, transport, post and telecommunications, and commerce (including material supply and marketing and catering trade). The national income is summation of the net output values of the above-mentioned five material production sectors. The gross domestic product is summation of the appreciations of various sectors of our society, including the values newly created by material production sectors and the net incomes of nonproduction sectors, as well as the total depreciation of the fixed assets of the whole society. The total product of society, national income, and gross domestic product listed by this "bulletin" were based on the initial calculation of prices of that very year, the growth rates were calculated in terms of comparable items, and the total industrial and agricultural output value was calculated at 1980 constant prices. The total agricultural output value and the output value of township and village industries were adjusted by means of county (or city) figures, and their bases were also readjusted accordingly.

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CSO: 4006/939

QINGHAI RELEASES FIRST QUARTER PRODUCTION STATISTICS

HK120147 Xining Qinghai Provincial Service in Mandarin 2330 GMT 11 Apr 86

[Excerpts] The provincial statistics bureau held a press briefing on 11 April to announce the results of industrial, agricultural, and animal husbandry production in the first quarter.

During this period, the province's industrial production made a slow start, and output value declined in January and February. Thanks to the prompt measures taken by the provincial CPC committee and government, production revived rapidly in March, basically recouping the shortfall of the previous 2 months. Industrial output value for the whole quarter was 390 million yuan, a rise of 1.73 percent over the same period last year. Output value showed increases in Xining City, Haixi, and Haibei autonomous prefectures, the provincial light and textile industry department, and the electric power bureau, while declines were registered in Haidong Prefecture, Huangnan Autonomous Prefecture, the machine-building department, and the building materials bureau.

In agriculture and animal husbandry, the task of fighting natural disaster and carrying out rescue work was basically completed in the Tanggula area and parts of Yushu and Golog prefectures. Losses caused by the natural disasters were reduced. The province has now switched to the stage of protecting the livestock from disasters. Most parts of the province have now completed spring sowing. According to sample surveys, the spring-sown area is less than last year, however, the area of industrial crops has increased.

The main problems in the province's economic work are: The decline in the sown area of grain is bound to affect the fulfillment of the year's grain plans; a few industrial enterprises show signs of slackness; some products are stockpiled; and there is a shortage of circulating funds. This affects normal production in the enterprises.

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CSO: 4006/938

SHANXI ECONOMY REGISTERS 'STEADY' FIRST QUARTER PROGRESS

HK150229 Taiyuan Shanxi Provincial Service in Mandarin 2300 GMT 14 Apr 86

[Text] Shanxi's economy registered sustained and steady development in the first quarter. A relatively good growth momentum was maintained in industrial production, whose value rose by 2.1 percent over the same period last year. Profit and tax of industrial enterprises covered by the budget rose by 8.7 percent and their profit and tax turnover to the state rose by 0.3 percent.

The main features of the period were: Light industry growth outstripped heavy industry; output growth in enterprises under ownership by the whole people outstripped that in collective ownership enterprises; output growth in local enterprises outstripped that in central enterprises; and there was relatively great growth in output of marketable products.

Total retail sales volume in the province during the quarter rose by 0.9 percent over the same period last year. Viewing the sales figures, there was a big increase in sales of domestic electrical appliances.

At the same time, capital instruction investment was effectively controlled. The fulfillment of revenue plans was good. There was a slight increase in currency in circulation compared with the same period last year.

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AGGREGATE ECONOMIC DATA

BRIEFS

HAINAN EXPANDS DIVERSIFIED PRODUCTION--After readjusting the structure of production, the agricultural reclamation system in Hainan has expanded diversified production activities. Last year, its gross industrial and agricultural output value totaled about 600 million yuan, an increase of 81.4 percent over 1980. Industrial output value exceeded 100 million yuan. As of the end of last year, the total area growing various kinds of tropical and subtropical cash crops and trees totaled 1.3 million mu. At present, the agricultural reclamation system has over 150 state-run industrial enterprises and over 1,400 commercial centers. [Summary] [Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 7 Apr 86 HK] /9599

HENAN INDUSTRIAL OUTPUT VALUE--The province improved industrial production in March after a decline in January and February. The province's industrial output value for March amounted to 2.96 billion yuan, an increase of 39.3 percent over February. The province's industrial output value for the first quarter was 7.6 billion yuan, an increase of 2.3 percent over the same period last year. [Summary] [Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 7 Apr 86 HK] /9599

CSO: 4006/938

COMMERCE OFFICIAL ON MARKET COMMODITY SUPPLY

OW050759 Beijing Domestic Service in Mandarin 1200 GMT 3 Mar 86

/Text/ A responsible person in the Ministry of Commerce pointed out at a national conference of commerce department bureau directors on 3 March: The commerce department this year should continue to take measures to properly arrange market supply and ensure the flow of daily necessities, particularly nonstaple foodstuffs, to the people.

The responsible person said: Generally speaking, commodity supply on China's markets last year was satisfactory. Despite the heavy pressure created by the reforms of the pricing and wage systems, the prosperity and stability of urban and rural markets continued, and the two reforms proceeded smoothly. However, certain problems did exist. For instance, vegetable prices in some cities rose too much in May and June last year soon after the prices were decontrolled.

He pointed out: This year, the stress should be on ensuring ample supply of grain, vegetables, meat, eggs, and other nonstaple foodstuffs. All localities should further strengthen their leadership over vegetable production and marketing. State-run vegetable companies should improve their management and services, play a better role as the main vegetable suppliers, and ensure ample vegetable supply for urban residents.

He also called on the commerce departments in all localities to work actively, in coordination with industrial departments, to further readjust the product mix and make great efforts to increase production and supply of marketable goods. In particular, he urged them to ensure the production and supply of superior wine, cigarettes, and famous-brand durable consumer goods.

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CSO: 4006/925

PRICE AS MARKET REGULATOR EXAMINED

Beijing JINGJI KEXUE [ECONOMIC SCIENCE] in Chinese No 6, 20 Dec 85 pp 52-56

[Article by Dai Guanlai [2071 0385 0171] of the Price Research Institute of the State Price Bureau: "On Bringing the Regulative Function of Price Into Full Play"]

[Text] 1. Price Is A Comprehensive Means of Regulation

The "Resolution of the CPC Central Committee on the Reform of Economic Structure" clearly points out: "Price is the most effective means of regulation." This important formulation is a major breakthrough in the socialist theory of economic regulation. It not only totally comforms to the reality of China's economic reform but also has a sufficient theoretical basis.

The regulative function of price refers to the function performed by price in readjusting and controlling the activities of social reproduction and the relations of ratios. This function is determined by the inherent property of price itself. It is the effect of the property of price. The property of price determines that price is a comprehensive means of regulation which is able to regulate production, exchange, distribution and consumption all at the same time.

Price is a major economic category of the commodity economy. During the process of commodity production, it reflects a kind of economic relation resulting from commodity exchanges between related economic units. Through such economic relations, price reflects in a comprehensive manner the actual cost of production, the comparable use value and the supply and demand relations of commodities. Because of this, price is a comprehensive index. This characteristic of price determines the comprehensive nature of the regulative function of price.

The actual cost of a commodity is the transformation of commodity value and the sum total of the cost of production and profits of the commodity.

In capitalist society, capitalists thought production cost only as variable and fixed capital; therefore, "cost is measured by the consumption of capital." (Footnote 1) ("Das Kapital" Vol 3, p 33) In fact, "the actual cost of commodity production of society is measured by the consumption of labor." (Footnote 2) (Loc. cit.). It basically conforms to the quantity of value which is calculated as the sum total of the cost of production and profits.

However, actual cost also has some characteristics that are different from those of value. Judged from the quality of actual cost, it has dual characteristics. On the one hand, it is measured by the consumption of labor including both materialized labor consumed in commodity production and necessary labor and surplus labor. Judged from this point, actual cost is close to the category of value. On the other hand, in actual economic activities, actual cost is measured by the sum total of production cost and profits instead of directly by labor time; therefore, it is close to the category of price. Judged from the quantity of actual cost, it also has dual characteristics. On the one hand, actual cost includes profits and is larger than capital consumption; therefore, it is close to the quantity of value. On the other hand, in commodity production, the value of all production input is calculated with prices formed finally on the commodity market; therefore, if there is any deviation from the value, it will be calculated into actual cost. (Footnote 3) ("In capitalist production, production capital is usually purchased through the market; therefore, the production price of one production department including its profits will be added to the production price of another production department." "Das Kapital" Vol 3 p 179) In the meantime, since the quantity of profits is not exactly the same as the quantity of surplus value, actual cost is not necessarily the same as value in quantity. Because of this, actual cost is referred to as "actual cost price" by classics. Due to its dual characteristics in quality and quantity, actual cost naturally becomes a form of transfer from value to price and serves as a bridge between value and price. Away from the calculation of actual cost, value can be nothing but an abstract term and nobody would know what is value and how much value there is. Since the days of classical political economics, economists have always been using actual cost or production cost to explore the category of natural cost (value) hidden behind actual cost or production cost.

Under a socialist system, laborers' interests are basically identical with social interests; therefore, actual cost, which calculates and reflects the actual labor consumption of society, is of a greater immediate significance.

During different stages of commodity production development, there are different ways to calculate the profit part of actual cost such as profit rates on wages, funds and production cost and comprehensive profit rate. Actual cost calculated in such ways is referred to respectively as value price, production price and dual- or multi-channel price. Among these prices, cost of production is the necessary production cost of society instead of the production cost of individual enterprises and profit is returns in identical proportion to the necessary production cost or funds of society instead of returns from market prices.

Actual cost is not actual market price, but the tranformation of value and the direct basis of price. (Footnote 4) (Changnuan Hu [2490 2541 5170]: "JIAGE XUE" [THEORY OF PRICE], p 136, price transformation is the basis of price computation, B Qinjiyaruanke [2953 0679 0068 6516 4430], "The Issue of Forming

Planned Prices," Russian Edition, p 188) Used as a direct basis for all commodity prices, actual cost is "a kind of regulation for prices." (Footnote 5) ("The Complete Works of Marx and Engels," Vol 1, p 606) It is because of this that prices are indexes for actual cost.

Price not only is an index for actual cost but also reflects commodity supply and demand relation on the market. In actual market exchanges, "prices are determined by supply and demand relation . . . Changes in supply and demand relation cause prices to go up and down." (Footnote 6) (The Complete Works of Marx and Engels," Vol 1, p 385) Therefore, changes in supply and demand relation may cause commodity prices to drift off the actual cost of commodities in quantity. In other words, commodity price is also an index for supply and demand relation.

As a comprehensive index for actual cost and supply and demand relation, prices are rational only to the same commodities of standard use value. Such commodities can be distinguished from those of different use values in the extent of use, but they cannot be compared with the latter in regard to the quantity of use value. They are comparable only in terms of actual cost. Price is the index of actual cost. Due to the changes of supply and demand relation during different time periods of market, price is also the index of the supply and demand relation of the same commodity. When pricing a specific commodity, we refer to the former as "price parity" between the commodity and others and the latter as "price disparity" reflecting the supply and demand relation of the commodity itself.

However, in a major category of commodities which are used for the same purpose, objective comparability exists between the use value of standard products and that of non-standard products in regard to quality, use function and use effect. Such comparability is the concrete content of usable value. For instance, textiles of identical specifications and designs differ in quality and grade due to the different numbers of broken ends occurred during the process of spinning. For another instance, tractors of different models used for the same purpose differ in use functions. Such differences of quality and functions, judged from consumers' point of view, are differences of use effect. Consumers buy commodities not for commodity value but for use value. Therefore, among products of comparable use value, "some commodities have the advantage of others." This means that if the prices of standard products are determined by actual cost, the prices of non-standard products will be different from the prices of standard products. No matter how much the actual cost of non-standard products is, their prices must be related to their use value. The greater their use value is compared to that of standard products, the higher their prices will be. The price difference resulting from the comparability of use value is also referred to generally as price disparity such as quality, specification and efficiency disparities of prices. Judged from this point of view, price is also the index of comparable use value.

Since all commodities have actual cost of production, comparable use value and a certain supply and demand relation after being put on the market, the prices of all commodities are the comprehensive reflection of actual cost, comparable use value and supply and demand relationship.

It is because of the properties of comprehensive indexes that price is able to exercise a comprehensive regulative function in many fields, instead of one field of social economic activities.

The comprehensiveness of price regulation makes it the most effective one of all means of national economic regulation.

2. Price is the most effective means of regulation.

In a socialist commodity economy, economic activities can be regulated with various means. Major regulative means are administrative, economic and legal. Among them, price is the most effective one.

The means of economic regulation include planning, finance, banking, wage distribution and pricing. The word, planning, here should be explained in a narrow sense. Since a socialist economy is a planned commodity economy and all economic means have a certain degree of planning, in a broad sense, all economic means will be also considered as means of planning. In a narrow sense, the means of planned regulation refers to concrete plans drawn up for the production, exchange, distribution and consumption of products for product variety and output, buying and selling and rationed consumption.

The so-called regulation through the means of planned regulation actually means that all leading economic organs of society transmit concrete plans from higher to lower levels to regulate various links of reproduction and the activities of various economic units. Such regulative means can be divided into command- and guidance-plan regulation.

Command plans are a means of regulation integrated with the means of administrative regulation. If grassroots units refuse to carry out such plans, relevant personnel will receive administrative sanctions. If plans are carried out successfully, such personnel will be promoted by leading administrative departments at higher levels. Therefore, the regulation of a guidance plan is not a complete economic means. The regulative means of guidance plan has the defects of the means of administrative regulation. It is not an effective means of regulation.

Unlike the regulative means of a command plan, the regulation of guidance plan "works mainly through the functions of economic levers." (Footnote 7) (The Third Plenary Session of the CPC Central Committee) This regulative means interacts with other means of economic regulation. However, since the regulation of guidance plan is based on price regulation, the effectiveness of such planned regulation should be analyzed along with the means of price regulation.

Of all economic levers, the lever of state expenditures is used to regulate the redistribution of net social income centralized by the state.

Along with the progress of tax-for-profit reform, state revenue mainly comes from taxes. The main function of tax is to collect net income. The function of regulating income distribution and production is only a derivative. The main way of regulating distribution through taxes is to collect income tax. If income taxes are not levied according to progressive rates, the impacts of such taxes on the interests of all economic units will be the same; therefore, the function of regulating distribution is very limited. The way of regulating production through taxes is to a levy product tax. However, since product taxes can be levied only on major categories of commodities and it is impossible to set a tax rate for each and every category of commodities, tax regulation is not used as often in production as price regulation. Besides, tax rates cannot be changed without going through certain legal procedures; therefore, tax regulation is not as flexible and timely as price regulation. Because of this, the means of financial regulation is not as effective as price regulation whether in the field of revenue or expenditures.

Monetary means includes mainly means to regulate the total amount of money supply and credit. The means of currency regulation refers mainly to the People's Bank of China (equivalent to central banks in other countries) regulating the balance between aggregate social demand and supply of currency by controlling the total amount of currency supply. Generally speaking, increases or decreases in total money supply have direct impact on encouraging or restraining aggregate social production. However, as far as specific sectors or commodities are concerned, changes in total money and aggregate social demand and supply have no direct impact. Therefore, as far as specific commodities are concerned, the means of currency regulation is not as profound as that of price regulation.

The function of credit regulation is to regulate the surplus and deficiency of currency and funds for all economic units in social reproduction. Such regulation is to influence the amount of currency circulated in the capital market and the direction of currency flow by increasing or reducing interest rates. Theoretically speaking, the circulation of funds is a basic condition for social production to meet social demands and credit regulation ought to be one of the main regulative means. However, first, we should notice that China's commodity production is still very underdeveloped, the credit system is very backward and a capital market basically does not exist at present; therefore, judged from actual economic activities, the credit lever is still unable to perform a greater function of regulation, as in developed countries, in the near future. Second, we should notice that price information generally is the guideline for using credit to regulate production and circulation. Only after the changes of market prices can the flow of funds begin to change accordingly, thereby restraining or developing the production of certain kinds of commodities. Third, interest is to a certain degree also the price of credit funds. In a broad sense, the regulation of credit also refers to the regulation of the supply and demand of the capital commodity. Only when the prices of general commodities successfully perform their regulative function in the national economy can interest play a better role as the price of credit fund; therefore, credit regulation is based on price regulation.

The means of wage regulation is used to affect the income of staff members and workers of all departments and fields. After linking wages to profits, wages are regulated by product prices and enterprises' sales income. In the meantime, wage readjustments are to a great extent conditioned by the price changes of daily necessities; therefore, the function of wage regulation is also based on that of price regulation.

In sum, among all administrative and economic means of regulation, price regulation is the most effective one. It is common, flexible, comprehensive and fundamental.

3. It is necessary to give full play to the regulative function of prices.

In the current reform of the economic system, special emphasis should be put on the regulative function of prices in regard to some important fields.

First of all, it is necessary to fix rational base prices so that the production and operational results of enterprises can be evaluated correctly, the principle of to each according to his work can be implemented and the function of prices regulating income distribution can be brought into play. The Third Plenary Session of the CPC Central Committee pointed out: "Chinese-style socialism should be one under which enterprises are full of vitality." Because of this, it is necessary to "link everyone's achievements in work closely to his material interests" and "establish a better link between staff and workers' wages and bonuses and the economic results of enterprises." A rational price structure is a must in order to correctly evaluate the economic results and work achievements of enterprises, thereby regulating staff and workers' income and implementing the principle of to each according to his work. In other words, it is necessary to ensure that the after-tax profits of all departments are at approximately the same level. This is an issue concerning the correct decision on the base prices of commodities. As for how to set base prices for commodities, there are now differing views in the theoretical circle. Generally speaking, they are no more than the abovementioned forms of concrete expression of actual cost. But, as of today, no relatively unified conclusion has been reached. If this issue is not solved properly, there will be no unified standard for establishing a rational price system. In view of China's current situation that there is a great disparity between the capital profit rates of light and heavy industrial products, there should be two production prices for industrial products. Heavy industrial products should use production prices of a lower capital profit rate while light industrial products use those of a higher capital profit rate. Production prices are an inevitable outcome of commodity prices regulating capital flow in the commodity economy. However, currently China does not have the conditions to unify production prices. If unified prices are implemented, prices have to be substantially reduced for light industrial products and increased for heavy industrial products, resulting in inevitable reduction in cost of living and wages. This obviously is not realistic. While implementing two production prices, higher profits of light industrial products may be regulated through taxes so that after such regulation, the profit rates of all industrial sectors maintain basically the same level.

Racing from the same starting line, if an enterprise finds its products in great demand and market prices higher than production prices, it may increase the income of its staff and workers and expand production with surplus profits; otherwise, it may reduce production. This is the way prices function in regulating staff and workers' income and production. As the commodity economy develops, the difference between two production prices will gradually diminish.

Second, it is necessary to implement market prices that can balance supply and demand, coordinate production and consumption and exercise the function of prices regulating supply and demand. In a normal commodity economy, the average commodity price of a prolonged period equals actual cost while that of a short period differs more or less from actual cost. This is what Marx said: "Prices are determined by supply and demand relation." (Footnote 8) (The Complete Works of Marx and Engels," Vol 1, p 185) This is what we call prices that can balance supply and demand. At present, many comrades are against the theory of supply and demand value. They are totally correct but they should not reject supply and demand prices because only such prices have the function of regulating supply and demand relation in a short period. At present, many commodity prices fail to reflect the supply and demand relation, encourage products in abundant supply and restrain products in short supply, thus destroying the rational ratio between production and consumption. Furthermore, prices float covertly "among the people," enabling speculators to gain exorbitant profits through illegal sales of products in short supply. Covertly floating prices not only cannot accelerate production but cause loss of social wealth. It is better to allow prices to float openly as soon as possible so that they can accelerate production and increase state taxes. In the meantime, due to the development of production, prices may also be stabilized or reduced to benefit consumers.

Third, it is necessary to work out rational price disparities between wholesale and retail sales, between different regions and between different seasons, unclog commodity circulation channels, expand commodity exchange markets and exercise the function of prices regulating commodity circulation. Commodity prices vary in different links of circulation, different regions and different seasons. Some of these differences are caused by changes in the value of commodities (such as freight and storage and damage expenses); others are caused by changes in supply and demand relation (such as seasonal changes in supply and demand relation of certain commodities). Currently, some of these price differences are much too big; others, too small, but the main tendency is too small. The current regional price disparity of some farm and sideline products is too small to pay for dealers' expenses; therefore, products remain where they have been produced. Such products cannot realize their value because they cannot be consumed all by local areas; nor can they be exchanged. What is more serious is that at present, many industrial products cannot be transferred to rural areas and are piling up in urban areas because the price disparity between urban and rural areas is too small and commercial departments are reluctant to do business in rural areas. All these are unfavorable to expanding the circulation of commodities.

Fourth, it is necessary to work out quality and efficiency price disparities and bring into play the function of prices in improving product quality, promoting scientific progress, rationally distributing natural resources and encouraging the conservation of natural resources. Normal prices should reflect the difference between good and poor quality products, the difference of function and efficiency between different products and economic results actually witnessed in using advanced scientific and technological products. The pricing principle established in the mid 1950's is to add a certain percentage of profits (such as 5 percent) to the cost of production and ignore the quality, function and effect of products. This method was barely practical when products were procured and distributed under state plans although it had caused product quality to decline and remain unchanged for several decades. Under the new economic system, enterprises' right to free purchase is expanding and so are consumers'right. Under this condition, prices failing to reflect the disparity of quality and efficiency are unacceptable. Currently, very little quality disparity is allowed during commodity pricing. Price disparity between new and old products is not linked to the difference in their efficiency. There is no clear pricing principle for scientific and technological products and their expenses are emphasized over their economic results. This situation is very unfavorable for prices to exercise regulative functions. Instead, it may cause negative effects and increase the production of products of poor quality and outdated technology. Therefore, it is necessary to give more consideration to quality relations, advocate the concept of efficiency price disparity and set efficiency price disparity for products with efficiency comparability.

Efficiency price disparity is important especially when pricing raw materials and natural resources. In modern production, many natural resources become increasingly scarce. To utilize these resources rationally, it is imperative to use substitutes on a broad scale. Products which can be used to substitute for each other should be priced according to the price of the standard product and their performance instead of their actual cost if they have the same actual cost but different performance and efficiency. Those of higher performance should be priced higher than those of poor performance. If a natural resource is used for several purposes, it should be priced according to its performance and efficiency when it is used for the most significant purpose. Only by doing so can we guarantee that departments of poor efficiency "cannot afford" this natural resource and give it to be used by the most efficient departments of society.

In sum, price is the most comprehensive, flexible, common and basic means of regulation; thereby, it is also the most effective means of regulation. In order to develop a socialist commodity economy, perfect planning and control systems, expand the scope of guidance planning and invigorate the national economy, we should give full play to the regulative function of prices.

12302
CSO: 4006/829

REASONS PAY, EMOLUMENTS DIFFER FROM PLACE TO PLACE

Wuhan CHANGJIANG RIBAO in Chinese 5 Sep 85 p 5

[Article: "Why Should One Not Make Simple Comparisons of Wages, Bonuses and Subsidies"?]

[Text] The following situation exists today. Some enterprises and units want high wages and bonuses; regardless of whether business is good or not,of differences in areas or of base figures for prices of goods, they compare price subsidies with high ones. Such an idea is not workable in practice.

Why should one not make simple comparisons of wages, bonuses and subsidies?

Simple comparisons are of no benefit in getting rid of egalitarianism and the large common pot. Differences exist between one enterprise and another and between one worker and another making it normal for there to be difference in wages and bonuses. When a business has good earnings, wages and bonuses are high; when business is poor or when an enterprise operates at a loss, wages and bonuses are low. Wages and bonuses are inevitably different between one worker and another, for different kinds of work, for different positions, and for different contributions made. The method of distribution of "sameness no matter whether one works much or little, well or bad" is inconsistent with the principle of socialist distribution and it must inevitably stifle the enthusiasm of producers and sellers. Only when there is a spread in wages and bonuses and there is no eating of "egalitarian rice" or "out of a large common pot," can the socialist principle of to each according to work be given expression, while simple comparisons are, in reality, a reflection of a kind of egalitarian thinking.

Simple comparisons are divorced from objective realities in different places. In such a large country as China, there are a thousand and one differences between one area and one city and another, so wages, bonuses and subsidies cannot be arbitrarily uniform or have a single standard, or be at a single level. In the realm of price subsidies, there exist numerous elements that cannot be compared between one place and another. First of all, the time of price reforms has differed between one place and another, and the size and extent of price readjustments differs, so naturally differences will exist in subsidies. Secondly, regions differ and the amounts of subsidies differ. In addition, price subsidies are related to local financial resources.

Simple comparisons do not help improve the life of the masses. Both payment of wages and bonuses and issuance of price subsidies are all based on the development of social productivity, and must correspond with increases in cearnings and development of production. Both the purchasing power of the whole society and the amounts of commodities that can be supplied must maintain a certain equilibrium. If wages, bonuses and subsidies were comparable, this would result in too rapid an increase in consumption funds, which would outstrip the amounts of goods that society good provide resulting in a rise in the price of consumer goods. Ultimately the overage of consumption funds would inevitably be offset by price rises, so the people would derive no benefit from this, but rather their standard of living would be lowered.

Simple comparisons make for new unhealthy tendencies. At the end of 1984 and the beginning of 1985, because of comparisons, a small number of enterprises issued bonuses and goods. They unscrupulously gouged the country and cheated consumers. Some of them dipped into the enterprise's accumulations and some of them held back profits that should have been turned over to the country. Some of them jacked up prices or misrepresented the quality of their merchandise throwing normal economy life into turmoil and distrupting the building of the economy and smooth reforms. The broad masses of people had deep antipathy and a strong sense of pain as a result of this.

9432
CSO: 4006/177

HEBEI VICE GOVERNOR DISCUSSES ECONOMIC REFORM

SK101121 Shijiazhuang HEBEI RIBAO in Chinese 30 Mar 86 p 1

/Excerpts/ On 28 and 29 March, the provincial People's Government held a provincial meeting on urban economic structural reform. The meeting relayed and studied the important speech by Vice Premier Tian Jiyun at the national meeting on urban economic structural reform, and set forth the 1986 tasks; namely, carrying out economic structural reform, promoting lateral economic integration, grasping the current industrial production, and effecting increases in output and income. The meeting's participants maintained that this was an important meeting to promote industrial production; and through this meeting, they have unified their thinking, defined the tasks and demands, and strengthened their confidence.

Vice Governor Ye Liansong offered four suggestions on urban economic structural reform and the current industrial production.

1. We should conscientously implement the principles of "consolidation, digestion, supplementing, and improvement" in order to make good preparations for further developing economic structural reform in 1987 and 1988. In line with the requirements set forth by Vice Premier Tian Jiyun in his report entitled "Current Situation and Tasks of Economic Structural Reform" concerning the digestion and supplementing of the reform measures that have already been initiated and concerning the consolidation and development of the achievements scored by reform in the fields of invigorating enterprises, market, pricing, income distribution, management of foreign trade and foreign exchange, and financial and tax revenue, all prefectures and cities should review, conscientiously sum up, and inspect the reform projects of their own localities and departments, and should make sure that they have actually implemented those policies and measures set forth by the State Council and the provincial People's Government regarding economic structural reform, with the focus on invigorating enterprises. All prefectures and cities should adopt measures to solve problems in order to actually implement the principles of "consolidation digestion, supplementing, and improvement." In addition, they should continue to strengthen and improve the macrocontrol. In solving new problems emerging in reform, they should do their best to avoid using administrative means and such an outmoded management method as "demanding uniformity in everything." They should endeavor to not only control the scale of investment in fixed assets, the overly rapid growth in consumption funds, and other major

macroeconomic activities; but should also improve their regulatory means so that the invigoration of the microeconomy is not affected. Meanwhile, it is necessary to strengthen the economic work in 1986, continue to carry out experiments for reform, and make good preparations for further developing economic reform in 1987 and 1988. Such experiments as developing production means markets, speeding up the circulation of funds, establishing new commercial systems, and making unified planning for the labor insurance funds should be carried on in a planned manner.

2. We should continue to grasp the central link of invigorating enterprises, and promote the coordinated development of economic structural reform. Over the past 2 years, enterprises throughout the province have strengthened their vitality to some extent. Generally speaking, however, only a small number of enterprises have actually invigorated themselves. Therefore, governments and economic departments at all levels should continue to delegate powers to enterprises, and should continue to change their function from exercising direct control over enterprises to exercising indirect control. No departments are allowed to arbitrarily interfere with the legal management activities of enterprises on the pretext of strengthening the macrocontrol. All the current policies and documents promulgated by the State Council, the provincial CPC Committee, and the provincial People's Government concerning simplifying administrative procedures, delegating powers to lower levels, and invigorating enterprises should be resolutely implemented. All prefectures and cities should organize forces to conduct conscientious inspection on the implementation of these policies and documents. As for those policies and measures which have not yet been implemented, some specific and feasible methods should be put forward to solve them after clarifying the reasons. The financial, tax, and bank departments should, in line with pertinent stipulations, vigorously support enterprises to invigorate themselves in the fields of reducing regulatory taxes, raising the depreciation rate, and relaxing control over floating fund loans.

We should further improve various forms of the management contract system, continue to implement the system of charging plant directors (managers) with full responsibility, and popularize in a planned manner the system of plant directors (managers) assuming responsibility for attaining the targets within their terms of office. All prefectures and cities should give top priority to invigorating the state-run large and medium-sized enterprises, and should, in particular, make great efforts to invigorate the energy industrial, raw materials, and textile industrial enterprises as well as those enterprises which earn foreign exchange through exports.

We should continue to relax control over and invigorate small state-run enterprises and collective enterprises, and maintain the leading nature of the reform of small enterprises. In the field of policy, collective, neighborhood, town, and township enterprises should be given more flexibility to invigorate themselves. It should be considered a success if these enterprises log an increase in production and pay taxes in accordance with regulations. At the same time, we should continue to make explorations and experiments for the leasing, transfer, and share management of small state-run and collective enterprises. We should organize and develop town and township enterprises, and should carry out comprehensive utilization, upgrade and value through processing, and combine industry and agriculture with foreign trade in line with the principles of "active support, rational planning, correct guidance, and better management."

3. We should vigorously develop lateral economic integration. A good trend has emerged in the province in the field of lateral economic integration. Generally speaking, however, at present lateral economic integration is just at an initial stage, and its range is not extensive enough, still worse in quality. Responsible comrades in many lcoalities and departments have given great support to this work. However, there are still two tendencies: One is unreasonable inteference; and the other is washing one's hands of the business and letting it develop freely. Therefore, in developing lateral economic associations, economic departments in various localities should give guidance to harmonize the entire industrial organizational structure and to improve the quality of products, and should strengthen service and create conditions for organizing integration in a proper manner.

The extensive development of lateral economic integration will bring about still more new problems, because it touches upon the planning, financial, tax, banking, supply, pricing, industrial, and commercial departments. All prefectures, cities, and departments should conscientously implement the State Council's "stipulations on several questions concerning further promoting lateral economic integration," and should conduct conscientious studies in line with their respective situations in order to set forth feasible and specific methods for implementing these stipulations.

4. We should actually and successfully grasp the current industrial production. In the first 2 months of this year, the provincial industrial output value dropped by 0.04 percent from the corresponding period of last year. Since the beginning of March, this figure has begun to pick up. According to statistics, in early and mid-March, the provincial industrial output value increased by 14.2 percent over the corresponding 1985 period. In sum, since the beginning of this year, industrial production has not been good enough and has failed to achieve the desired targets. All prefectures, cities, and economic departments should make a conscientious analysis of the current industrial production situation, unify their thinking and understanding, enhance their spirit, reinforce their confidence, adhere to reform, pioneer the road of advance, adopt effective measures to grasp industrial production and strive to fulfill the task for the 1986 industrial production. At present, we should give prominence to grasping the following tasks:

First, we should adhere to reform and implement the economic contract system.

Second, we should correctly handle the relationship between growth rate and efficiency.

Third, we should continue to solve the shortage of floating funds.

Fourth, we should pay attention to the progress of capital construction and the completion and availability of the technical transformation projects of this year.

Fifth, we should draw a clear demarcation line between legal economic activities and unhealthy trends.

Sixth, we should strengthen political and ideological work among workers and staff members of enterprises.

Comrade Xie Feng attended and addressed the meeting. In his speech, he stressed the necessity of successfully carrying out urban economic structure reform. He said: We should adhere to reform, rather than deviate from it. There will be no way out if we go backward. The reform projects cannot be changed along with personnel changes. Now there is a tendency of drawing close to egalitarianism, the "sam big pot," and the "iron rice bowl." This tendency should attract our attention. The economic contracts signed last year should be honored rapidly without any delay. Only when this issue is solved can we develop production in a systematic manner. Meanwhile, we should accelerate the signing of the economic contracts of this year. In terms of the questions on growth rate and efficiency, Comrade Xie Feng said: Last year, there was not a problem of overly rapid growth rate in our industrial production. Without a certain growth rate, there will not be good efficiency. This year we must realize the goal of "ensuring an 8-percent increase and striving for a 10-percent increase." There is still great potential in our province which has not been tapped. Leaders at all levels should clearly understand that the slow growth rate in the first quarter will bring about heavy pressure on the following three quarters. To promote industrial production, we must depend on the efforts of the people and the arduous struggle and self-reliance of all prefectures and cities. All provincial-level departments should also give vigorous support, and work with one heart and one mind to achieve success in the industrial production of this year.

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HENAN REPORTS GOOD PROGRESS WITH KEY PROJECTS IN 1985

HK080609 Zhengzhou Henan Provincial Service in Mandarin 2300 GMT 28 Feb 86

/Excerpts/ Our province had many great achievements in building its key projects in 1985. Of the 18 state and provincial key projects, 10 were entirely or partially completed, put into operation, and made available to users. Our province has started benefiting from these projects.

The total amount of investments in the 12 key state projects in our province last year was some 1,391 million yuan. This was 102 percent of the annual quota for investment. The province made the most of eight of these, which were completed and put into operation before the end of last year. The No 4 mine of the Pingdingshan Mining Bureau, whose capacity was recently increased by 600,000 tons of raw coal, was checked and accepted by the state at the end of November last year, and then made available to users. The 300,000-kilowatt No 3 generator unit of (Yaomeng) Power Plant, Pingdingshan, and 200,000-kilowatt No 3 generator unit of the Jiaozuo Power Plant began operation on 22 and 29 December 1985 respectively. All the equipment of the Henan section of the Beijing-Wuhan-Guangzhou medium-sized communication coaxial cable was completed and made available to users.

Our province also scored relatively great achievements in its six key projects last year. The 11 stadiums for tournaments for national youth and juvenile sports meetings which were built in our province, were completed an on schedule and made available on time for spring sports meetings. All people of the entire province deserve recognition. The Provincial College of Finance and Economics completed its instructional buildings on some 33,000 square meters last year, thus insuring that it could enroll 1,000 new students in autumn. Construction of the large Zhengzhou-Huanghe road bridge is progressing smoothly and its 50-meter beam has been set in place. It is estimated that the bridge can be completed and open to traffic by National Day.

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HUNAN OFFICIAL URGES BETTER COMPANY MANAGEMENT

HK270553 Changsha Hunan Provincial Service in Mandarin 2300 GMT 18 Mar 86

/Text/ On 17 March, at a meeting of heads of the provincial departments and bureaus, vice governor Yang Huiquan announced that, of the 27 companies approved by the provincial government, 15 companies will be merged, will stop production or will cease operation. The 299 companies and centers run by various provincial departments should basically complete the process of being sorted out by the end of June.

Comrade Yang Huiquan said: Over the past 2 years, the provincial organs have established many companies. Some have played roles in developing the province's economy, invigorating the market, making things convenient for the public and providing job opportunities. However, quite a number of them do not possess the necessary conditions for operation. Also, some have not separated government administration from enterprise management. At present, children of some party and government cadres, or leading cadres, still hold positions in these companies. Some party and government organs have not been totally separated from the companies. Some companies have imposed charges for services which were formerly free, thereby putting a heavy economic burden on the grassroots and the people. Some are taking the wrong direction in operation, have a confused management system, do not choose the right person for the job, and are simply briefcase companies which have no funds, offices, technological force or staff.

Comrade Yang Huiquan urged the provincial units concerned to seriously sort out and put their subordinate companies in order. Those companies which are really needed by society and which possess the conditions for operation should be allowed to continue their business. Those which do not meet these criteria must be resolutely dissolved. In the latter case, the responsible department should take care of problems arising from the action. On principle, the workers should return to the places they came from. For newly recruited staff, the responsible department or unit should make appropriate arrangements for them in the light of their conditions. They should seriously deal with the properties of these companies, and must by no means take this opportunity to fish in troubled waters. They should form special teams to sort out and put the companies' properties in order. In the course of sorting out, they should file a case for investigation whenever they discover heavy economic losses because of violation of the law and discipline or malfeasance. When a company which is being sorted out has a confused management system, has many problems, or has violated the law and discipline, it may be ordered to temporarily suspend operations for consolidation. After that, a decision should be made on whether or not to close it.

In conclusion, Comrade Yang Huiquan stressed that all units with responsibility for putting the companies in order must have their leadership responsible for the work. They should pool efforts from various areas and deal with the companies one by one. They should grasp this task firmly and well.

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JIANGXI GOVERNOR SPEAKS ON FUTURE ECONOMIC WORK

OW070429 Nanchang Jiangxi Provincial Service in Mandarin 1100 GMT 6 Apr 86

/Excerpts/ A provincial Planning Conference ended in Nanchang this afternoon. Ni Xiance, deputy secretary of the Jiangxi Provincial CPC Committee and governor of Jiangxi, delivered an important speech on Jiangxi's economic work during the Seventh 5-Year Plan period and for 1986.

Ni Xiance first discussed the question of developing the rural economy. He said: Judging from the situation in our province, we must vigorously develop the rural economy if we are to achieve a fairly high economic growth rate this year and during the entire Seventh 5-Year Plan. As grain production constitutes an advantage in our province, we must concentrate on it in order to develop the rural economy. During the Seventh 5-Year Plan period we should shift the focus of grain production to improving quality and variety in order to meet the needs of the developing livestock industry and domestic and international markets. We must also vigorously stimulate the development of livestock breeding, concentrating in particular on grazing livestock, in order to make the livestock industry another advantage for our province.

Ni Xiance pointed out: To develop the rural economy and help peasants become well-off, we should strive to improve the quality of the processing industry. This means we must develop village and town enterprises. Starting with the processing of agricultural and sideline products, we should integrate the development of village and town enterprises with grain production and diversified undertakings.

Ni Xiance said: In order to make good use of our limited funds, we must pay attention to four points in arranging construction projects during the Seventh 5-Year Plan period:

1. Construction funds should be properly distributed and investment patterns should be rationally adjusted. During the Seventh 5-Year Plan period, the province's investment in capital construction will be used mainly for the development of agriculture, energy, transportation, raw materials industry, as well as science and education; funds will also be used to help people in old revolutionary areas develop production.

2. The focus of investment will be shifted to technical transformation, renovation, and expansion of existing enterprises in order raise efficiency, increase variety and quality of products, and cut down on material consumption.

3. We should ensure that there are sufficient funds for production and construction.

4. We should concentrate on the construction of key projects and strive to complete and put them into production as soon as possible.

Touching on the question of developing lateral economic ties, Ni Xiance said: We should vigorously promote lateral economic association and make good use of both domestic and international funds, technology, qualified personnel, and management expertise to exploit our province's abundant resources.

On Jiangxi's economic work for 1986, Ni Xiance called for attention first to agricultural production. He said: More attention should be given to livestock breeding and rural industry. In industry, we should strengthen ideological and political work among enterprise cadres, staff members, and workers; conscientiously remedy the shortage of circulating funds for enterprises; and strive to raise economic efficiency and overcome shortcomings. Ni Xiance called on all localities in the province to work hard and create a new situation in the 1st year of the Seventh 5-Year Plan.

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ECONOMIC MANAGEMENT

NEI MONGGOL CHAIRMAN SPEAKS ON COMMERCIAL WORK

SK100852 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 9 Apr 86

/Excerpt/ The 8-day regional meeting of the directors of various league and city commercial bureaus concluded in Hohhot on 8 April. The meeting defined the general task for the regional commercial work in 1986, which is to conscientiously implement the eight-character principle of consolidation, digestion, supplementing, and improvement; promote the commercial reform; make the markets flourish and stabilized; strengthen ideological and political work and grasp the building of two civilizations; constantly increase economic and social efficiency; and promote the steady and coordinated development of the regional economy in order to greet the 40th anniversary of the founding of the Nei Monggol Autonomous Region with outstanding achievements.

Bu He, deputy secretary of the regional CPC Committee and chairman of the regional People's Government; and Tian Congming, deputy secretary of the regional CPC Committee, attended and addressed the meeting.

Comrade Bu He said: Last year, commercial departments in the region scored gratifying achievements, netted more than 59 million yuan in profits, and put an end to the deficits incurred in the past 4 years running. Commercial departments also contributed to speeding up circulation, providing convenience for the masses, and promoting production. This year, despite the arduous task, there still are many favorable conditions for our commercial work. We should adhere to reform, pay attention to solving the new problems emerging in reform, and make the best possible use of our favorable conditions and avoid weaknesses. We should strengthen lateral integration and cooperation with other localities and trades from production to circulation spheres in line with the principles of voluntary participation and mutual benefit, and should open up more sources of goods and circulation channels. We should not only attend to the market supply in order to meet the demand of the masses, but also lay up sufficient goods in order to make good material preparations for greeting the 40th anniversary of the region's founding in 1987.

Commercial departments should not only give consideration to the supply on the urban markets, but also take into account the difficulties in making arrangements for the markets in outlaying places. Some preferential policies should be adopted to provide more conveniences for outlaying places in supplying and marketing their goods. Those advanced and developed localities should be encouraged to develop their commercial work in a still rapid manner and to help backward localities break away from poverty and become prosperous in order to achieve a common prosperity.

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SHAANXI SETS GUIDELINES FOR CONSTRUCTION INVESTMENT

HK030239 Xian Shaanxi Provincial Service in Mandarin 2300 GMT 2 Mar 86

/Text/ Shaanxi will take steps to bring investment in fixed assets under further control, rationally readjust the investment structure, and step up the construction of key projects this year. Local investment in fixed assets will remain at last year's level. The development of processing industries will be restricted. Investment in infrastructural construction will be appropriately increased. Investment in constructing buildings, halls and centers, apart from tourist facilities, and in residential housing will be appropriately reduced. Investment for production and business and in key projects will be stepped up.

In accordance with the principle of ensuring the focal points, taking the ordinary projects into consideration, and concentrating forces to do a number of things, the state departments concerned have arranged the following major large and medium construction projects for the province this year: Ankang hydroelectric station; the No 4 generator set of Qinling power plant; the expansion of Daqiao thermal power plant; the expansion of (Jinhuashan) and (Dongpo) mines of Tongchuan mining bureau; the expansion of (Wangcun) shaft at Chenghe mining bureau; the completion of (Nanjingtou) mine of (Hubai) mining bureau; the electrification and improvement of the Baoji-Zhengzhou section of the Longhai railroad; construction of the (Podi)-(Qinjiachuan) section of the (Qiyan) railroad; stage two of (Jinduicheng) wolfram mine; and the expansion of Xian communications university.

The 30 projects to be undertaken with local investment or joint state-local investment include: the (Shitaohe) reservoir; (Zhonglei) spinning mill; Xianyang glass plant; Xian No 4 district water supply project; Xian nitrogenous fertilizer plant; Xian branch brewery; and Xianyang machine-tool plant.

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XINJIANG MEETING URGES IMPROVED INDUSTRIAL PERFORMANCE

HK100635 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 9 Apr 86

/Excerpts/ The regional economic commission held a production conference today, which called on the industry and communications system's departments in charge and leaders at all levels to improve their work style, serve the grassroots and production, and help the grassroots to solve practical problems. At the same time, it is necessary to do a good job in ideological and political work and mobilize the staff and workers to strive to fulfill and overfulfill the production plans for the second quarter.

Total value of industrial output in Xinjiang in the first quarter was 1.67 billion yuan, an increase of 8.58 percent over the same period last year. Output of 52 out of 84 comparable products showed increases. However, the majority of trades and areas did not fulfill their output value plans for the quarter, and output plans for the majority of products were also unfilfilled. The growth rate of light industry was below that of heavy industry. January and February profit of state-owned industrial enterprises covered by the budget dropped by 1 percent compared with the same period last year. The total sum in profits and taxes that they paid to the state dropped by 12.39 percent, while production costs of comparable products rose by 6.01 percent.

The meeting held: The main reason why industrial production in the region was not good enough in the first quarter was that there was a serious shortage of some raw materials, with the result that some enterprises had to halt production to await supplies, or else could not carry out production. Sales of farm machinery, automobiles, and so on were poor, causing big stockpiles. Enterprises were seriously short of floating capital. This had an impact on the development of industrial production and the effort to improve economic results.

The meeting demanded that the leaders of all areas and departments seriously improve their work style and firmly establish the idea of serving the enterprises and production. It is necessary to get a particularly good grasp of work concerning backbone enterprises and key products with a major bearing on the national economy and the people's life.

Enterprises that lack work due to poor sales or other reasons should hurry to develop new production outlets and promote diversification to make up for their shortcomings. Beginning in April, we must resolutely transform the situation in which output plans for the majority of products could not be fulfilled.

The meeting stressed: All areas and departments must take effective steps to grasp the production of brand and high-quality products, products in short supply, products that sell well, and products for export. The banks, material supply, and other departments must do everything possible to ensure supplies of capital and raw materials for key products.

Leading comrades of the region including Zhang Sixue and Tuohuti Shabier spoke at the meeting.

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FINANCE AND BANKING

FOREIGN EXCHANGE ISSUES IN CHINA'S OPEN-DOOR POLICY

Hong Kong WEN WEI PO in Chinese 1 Mar 86 p 10

[Article by Chen Quangeng [7115 0356 1649], director of the policy research department of the State Foreign Exchange Control Bureau and a high ranking economist: "Foreign Exchange Issues in China's Open-Door Policy"]

[Text] 1. The issue on the foreign exchange balance of Chinese-foreign joint ventures and foreign-owned enterprises. China's foreign exchange controls stipulate that Chinese-foreign joint ventures and foreign-owned enterprises should balance their foreign exchange income and expenditures. We think it is a universal demand of many developing countries and a rational one as well because: 1) many developing countries lack foreign exchange funds and they try to upgrade the technology of their countries and push their products into international markets to earn foreign exchange by importing foreign capital and advanced technology and 2) the issue of foreign exchange balance concerns whether or not enterprises themselves can survive and develop. Foreign exchange imbalance makes it impossible to pay for foreign investors' earnings, foreign employees' wages and those raw materials and spare parts which must be imported for production. Of course, when dealing with this issue, we seek truth from facts, conduct concrete analysis and treat each case on its own merits. Chinese-foreign joint ventures and foreign-owned enterprises should vigorously increase foreign exchange income and strive to achieve foreign exchange balance. In the meantime, we have in the past few years relaxed foreign exchange controls in order to help Chinese-foreign joint ventures and foreign-owned enterprises solve their foreign exchange balance problem. Especially in 1984, in order to meet the needs of China's 14 coastal cities for opening up still more, we further relaxed the foreign exchange controls of these enterprises and adopted some positive measures:

A. Chinese-foreign joint ventures and foreign-owned enterprises are permitted to reserve the right to the use of foreign exchange earnings. China is a country practicing foreign exchange controls. Chinese enterprises must sell to the state all foreign exchange they earned from product or labor exports. They are not allowed to reserve foreign exchange. But Chinese-foreign joint ventures and foreign-owned enterprises are allowed to do so. They may deposit their foreign exchange earnings from product and labor exports in their foreign exchange bank accounts and use them for their business operations and to remit investors' earnings.

B. Chinese-foreign joint ventures and foreign-owned enterprises may ask for loans from banks at home and abroad according to their needs in business operations. During their business operations, these enterprises need to continue to import necessary raw materials for production and new equipment to replace old; therefore, in addition to using their own funds, they may ask for loans from banks at home and abroad to fill the gap without advanced approval from foreign exchange control departments.

C. Chinese-foreign joint ventures and foreign-owned enterprises are permitted under conditions to sell their products on domestic markets to earn foreign exchange. When those Chinese-foreign joint ventures and foreign-owned enterprises which have imported advanced technology, equipment and techniques sell their products in China with the approval of Chinese authorities, they are allowed to charge according to international market prices and collect foreign currencies. When those enterprises which can produce goods and materials China needs to import and sell them to the foreign trade, commercial and other departments of China, to other Chinese-foreign joint ventures and foreign-owned enterprises or to special economic zones, they are also allowed to charge according to international market prices and collect foreign currencies. As long as foreign investors are able to provide advanced technologies needed by China or products which China needs to import for a long period of time, we will provide them with foreign exchange.

Foreign exchange funds come from two sources: 1) China sets aside a certain amount of foreign exchange every year to be used for technology transfer and commodity imports. If Chinese-foreign joint ventures or foreign-owned enterprises can provide technologies needed by China or commodities which China needs to import, this sum of foreign exchange may be transferred to units needing to purchase such products; 2) China permits those departments, local areas and enterprises which have foreign exchange income to retain part of their foreign exchange income and use it for purchasing the products of the abovementioned enterprises instead of importing commodities from abroad.

D. If Chinese-foreign joint ventures and foreign-owned enterprises are unable to transfer abroad foreign investors' Renminbi earnings due to insufficient foreign exchange, they may follow the following procedures: reinvest their Renminbi earnings in China, in enterprises which can earn foreign exchange, and enjoy the same treatment as foreign exchange investors. In other words, a foreign businessman can invest the Renminbi he earned from enterprise A in enterprise B which has the ability to earn foreign exchange and transfer all of his share of earnings out of China if the foreign exchange income and expenditures of enterprise B are balanced.

E. Foreign oil companies are encouraged to cooperate with China in prospecting and exploiting petroleum. Foreign-owned enterprises engaging in cooperative oil exploitation in China may be given preferential treatment according to actual conditions. In addition to reserving foreign exchange, foreign oil companies are allowed with the permission of their Chinese partners to deposit funds they provided for prospecting or for cooperative development and production in banks located outside of China. To carry out oil operations prescribed in contracts, they are allowed to make direct payments abroad for the wages of foreign employees, contractors and suppliers, for the procurement of goods and articles and for various labor and service expenses. Foreign investors may ship out their share of oil products or collect foreign exchange by selling them in China and transfer their earnings abroad after paying their taxes.

2. The situation of China's foreign exchange income and expenditures. Since the implementation of the open-door policy, the situation of China's foreign exchange income and expenditures has been fairly good and regular foreign exchange income and expenditures have increased year after year. Between 1981 and 1983, China witnessed 3 consecutive years of favorable balance of foreign exchange payments. By the end of September 1984, China's foreign exchange reserves increased to $16.6 billion. We all know that lack of foreign exchange funds is a common phenomenon in developing countries. Take China for example. We need to build many projects concerning infrastructure and basic industries such as energy, communications, transportation and raw materials. We also need to carry out technological transformation of 400,000 old enterprises. All this needs the imports of advanced technology and key equipment which cost large amounts of foreign exchange funds. At the same time, excessive foreign exchange reserves are unfavorable for the steady development of the national economy because they can prevent Renminbi funds from circulating and cause the money supply to increase. Because of this, since 1984, we have arranged in a planned manner for some projects to use foreign exchange and imported some technologies, equipment and raw materials. We have also imported some market commodities to withdraw currency from circulation; therefore, declines in foreign exchange reserves are normal. Of course, we have also experienced some problems in work. Especially since the 4th quarter of 1984, industrial growth has been too fast and increases in the scale of fixed-asset investment and credit and consumption funds have been too sudden, causing the demand for import commodities to increase substantially. To meet this demand, local areas have used the part of foreign exchange they retained to import more automobiles and household electrical appliances, thus accelerating the decline of foreign exchange reserves. In 1985, we strengthened macrocontrols of foreign exchange, exercised control over the use of foreign exchange and limited the import of consumer goods while adopting effective measures to expand exports. By the end of September of 1985, China's foreign exchange reserves reached $12.5 billion, equivalent to over 5 months of imports and sufficient for foreign payments.

3. The issue of scale in the use of foreign capital. Using foreign capital is China's long-term policy. In a fairly long time to come, the use and absorption of foreign capital will be concentrated in two fields: 1) Energy and transportation. China is rich in natural resources. To develop such resources, in addition to relying on its own strength, China should also use foreign capital to carry out major development projects such as petroleum and coal development, nuclear power plant construction and proper rail and harbor construction. 2) The technological transformation of existing 400,000 old enterprises which involves many sectors of the national economy.

The scale of foreign capital use should be commensurate with China's international income and expenditure situation and its ability of repayment. Currently, China does not have a large amount of foreign debts. Between 1979 and September 1985, China absorbed and used various kinds of foreign funds totalling $20 billion, of which $14.7 billion were foreign loans and $5.3 billion were direct investment. At the end of September 1985, China had $4.4 billion of outstanding foreign debts. Judged from China's total industrial and agricultural output value and annual foreign exchange earnings, China is still capable of raising foreign funds. As economic construction unfolds in China and after China's industrial foundation strengthens, China's export trade and tourism will continue to develop, its foreign exchange earnings will increase steadily and its ability of payment and repayment will increase day by day, thus increasing China's ability to use foreign capital. Therefore, during the "Seventh 5-year Plan" period, we will adopt multifarious forms and try to use as much foreign capital, including preferential and commercial loans, as possible so as to make up the shortage of funds at home. At the same time, China should encourage foreign manufacturers to establish joint ventures, cooperative enterprises and wholly-owned enterprises in China.

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INDUSTRY

BETTER RECOVERY OF SCRAP IRON, STEEL URGED

Beijing WUZU GUANLI [MATERIAL MANAGEMENT] in Chinese No 9, 30 Sep 85 pp 2-3, 20

[Article by Li Jizhang [2621 4764 4545]: "Genuinely Strengthen Management of Scrap Iron and Steel Recovery;" This article has been excerpted from a summary speech made by the former deputy director of the State Supplies Bureau, Li Jizhang, at the 1985 National Conference For the Exchange of Experiences on Supply and Procurement of Steel Products and Scrap Iron and Steel.]

[Text] The overall mission prescribed for the new historical period by the 12th Party Central Committee noted explicitly that the overall goal for struggle in building China's economy from 1981 until the end of the century was to be an effort to quadruple the gross output value of the whole country's industry and agriculture while steadily raising economic results.To realize this magnificent strategic goal, a large problem with material resources has to be solved, namely the shortage of steel. In addition to a portion that is imported, an annual increase of more than 3 million tons production is needed to meet basic needs. Raw materials for the production of so much steel will require not only increased production of ore, but the importation of ore and use of more scrap steel. Use of more scrap steel requires little investment for quick results, and it is one of the most important actions that can be taken to conserve ore and energy. Obvious advantages are as follows:

First, use of scrap steel to smelt steel requires little investment for quick results. Every ton of scrap iron or steel use to smelt steel saves 1 ton of pig iron. An investment of 7 billion yuan and a 4 to 5 year construction period is required to mine, beneficiate, and sinter the ore, for coking and for smelting of iron to produce 10 million tons of pig iron. Tapping scrap iron and steel resources to smelt steel does not require much investment to obtain fairly substantial economic results within a short period of time.

Second, use of scrap iron and steel to smelt steel can save energy. Use of scrap iron and steel in the smelting of steel can save approximately 75 percent of energy per ton of steel as compared with the smelting of iron from ore from resmelting into steel. In 1984, China recovered more than 20 million tons of scrap iron and steel 70 percent of which was used to smelt and cast steel. In view of the situation in China, this saved approximately 18 million tons of coal.

Third, Use of scrap iron and steel to smelt steel can save transportation. Estimates from authorities concerned show that every ton of scrap iron and steel used to smelt steel can save 7 tons in transport capability. This is of major significance in easing China`s currently severe shortage of transportation.

In addition, scrap iron and steel can help the light industry market and meet needs for manufacturing medium size and small farm tools, hardware and such products. In this way, a certain amount of good steel can be saved to ease the shortage of steel products. Good performance in the recovery of iron and steel is also of benefit in advancing enterprises' high grade production and improving economic results.

II. Improvement of Scrap Iron and Steel Planning and Management and Exploitation of Scrap Iron and Steel Resources

In view of the ever mounting supply of scrap iron and steel and the need for scrap iron and steel, in 1984 departments concerned such as the State Planning Commission and the State Economic Commission formulated the following principles for management of scrap iron and steel in accordance with pertinent regulations from the State Council to meet needs in development of the national economy: (1) Link the amount of scrap iron and steel delivered to the state to state allocation plans for steel products. (2) Central government enterprises and local enterprises are to tie their distributions of steel products to the amounts of scrap iron and steel that are recovered and turned over through materials distribution channels, those needing steel being required to turn in scrap iron and steel, and bonuses being given for turning over more scrap iron and steel than is required. Those firms who are unable to fulfill their scrap iron and steel quotas are to have allocations of steel products correspondingly reduced. This will make units that use steel products pay attention to recovering and turning in scrap iron and steel, and will firm up their sense of responsibility about recovering and turning in scrap iron and steel. This reform was supported by all. Efforts will have to be made to continue to support it and do a good job.

It should be realized that China still has a very considerable untapped potential in scrap iron and steel resources. How further to tap scrap iron and steel resources to recover more scrap iron and steel is a problem that should be studied very closely to find a solution. The huge potential existing in the following three regards should be considered first:

A. Scrapping of equipment: Analysis of relevant data show the amount of iron and steel in existing equipment in China to be approximately 100 million tons. Figuring a useful life of 20 to 30 years, each year between 3 and 5 million tons of equipment should be scrapped, but for a variety of reasons this equipment is not taken out of service. Large plants remove old equipment that consumes a lot of energy and operates at low efficiency only to turn it over to small plants, and small plants pass it along to communes and brigades, so it keeps being turned over to others for use. Reportedly some cotton cloth textile machinery from the Guangxu era [1875-1907] is still being used. Policies and economic measures should be studied to promote replacement and updating of equipment, recovering it for smelting and rolling into steel to produce a benign cycle in iron and steel. This is not only an action for development of the iron and steel industry, but is also a major policy for development of machine industries.

B. Irrational use of scrap iron and steel. The irrational uses to which China's scrap iron and steel resources are put shows up in the resmelting into iron or pig iron of scrap iron and steel that could be smelted into steel. Surveys show that existing small blast furnaces use more than 30 percent scrap iron and steel and that some of them use more than 50 percent. This is an extreme waste. It is estimated that each year a minimum of between 700,000 and 800,000 tons of scrap iron and steel is consumed by blast furnaces throughout the country. This problem could be effectively solved were governments in all jurisdictions to improve their management of scrap iron and steel.

C. Exploitation of steel slag resources. In the steel smelting process, large amounts of steel slag are produced that contain quite a bit of scrap steel and alloying elements. Estimates place the accumulation of steel slag throughout the country at around 100 million tons. If it contains a 5 percent steel content, that would mean 5 million tons of scrap steel, which is a very large resource that should be tapped for use in smelting steel.

There is, in addition, a potential to be tapped that requires adoption of genuinely feasible specific policies and methods about which special surveys and studies should be done.

III. Efforts To Fulfill This Year's Scrap Iron and Steel Recovery and Delivery Plans

This is the year for complete fulfillment of the Sixth 5-year Plan and of preparations for the Seventh 5-year Plan. To assure development of the national economy in terms of scrap iron and steel needs, every effort has to be made this year to fulfill the delivery plans of a command nature that the country has handed down. Achieving this will require work in the following several regards:

A. Continue Emphasizing the Implementation of Plans. State Council Councillor Song Ping [1345 1627] noted at the 3d Session of the Sixth NPC in connection with the 1985 report on the national economic development plan that national allocation and transfer plans must be assured of fulfillment. The plan for delivery of scrap iron and steel is in the nature of a command plan. All regions and departments must take vigorous action to ensure fulfillment of this year's plans for deliveries of scrap iron and steel. All jurisdictions should further check the status of implementation of delivery plans. In the course of this action,they should take firm hold of those large suppliers who affect fulfillment of delivery plans who should make up amounts due within a certain period of time. If they have not made up owed amounts within a given time, steel products or pig iron deliveries to them should be slowed or halted. Recovery and delivery of scrap iron and steel from central government enterprises is still the responsibility of local jurisdictions this year. Local jurisdictions must set equitable delivery norms for these enterprises. If they do not deliver or deliver too little, provinces and municipalities should be requested to provide us and departments in charge with a status report to urge them along toward making deliveries. If they still do not deliver, steel products should be deducted from amounts for their principles. Scrap iron and steel recovered by operating units is to be delivered according to plan with no arrangements made by the units themselves. Inspections and widespread publicity about the significance of recovery, delivery and use of scrap iron should be done in order to raise consciousness about carrying out plan and mobilizing all trades and industries in a common effort to do a good job of recovering metals for use.

B. Rational use of scrap iron and steel resources. Scrap iron and steel are used mostly for smelting and casting steel and for the production of medium and small size farm tools and small hardware items. Major efforts should be made to promote use of steel and iron trimmings for direct smelting and casting. It is forbidden to use steel and iron trimmings for smelting into iron or melting down to remake pig iron or to make any raw iron whatsoever. Publicity and indoctrination should be directed toward enterprises that use large amounts of scrap steel and iron for smelting into iron so that leaders of these enterprises realize that though such a practice benefits their individual unit, it is extremely wasteful in terms of the overall situation and should be corrected within a fixed period of time. Henceforth, all enterprises that produce steel or iron trimmings and that also make cast steel must first recover and use completely all the steel and iron trimmings produced. Only after they have been all used up may they consider obtaining supplies of scrap iron and steel according to plan. Unless this is done, no scrap steel or iron should be supplied to them. All units in charge of metal recovery are to make overall plans for scrap iron and steel under leadership of planning commissions at each level. So long as they fulfill deliveries to the state, they made select more scrap and second quality goods, and bits and pieces to supply the production needs of light and handicraft industries to make a contribution to the development of light industry and agriculture.

C. Strengthening of control over scrap iron and steel resources. Scrap iron and steel are important means of production under state centralized allocation that must be centrally controlled by local government designated metal recovery management units in accordance with the spirit of Document (84) Wuhuizi No 38 approved by State Council leaders. All the scrap metal and scrapped equipment from enterprises, institutions, official organizations, military units and schools, with the exception of portions that a unit may retain in accordance with approved plans, must be transferred and purchased in accordance with local regulations.

Scrap iron and steel is to be handled by materials and commercial departments in accordance with the division of labor set by the local government; all other units and individuals may not traffic in it. Units dealing in it must subordinate themselves to the centralized control of the local planning commission and strictly carry out state price policies. Except for odds and ends of scrap metals owned by city and countryside residents (bicycles, pullcarts, farm tools, old scrapped equipment and spare parts owned by specialized households), which are permitted to be sold in country fair markets, traded or used to balance surpluses and shortages, no other scrap iron and steel may go into country fair trade. Scrap iron and steel permitted to be sold in country markets should be priced according to market prices.

Those who violate purchase policies are to be punished severely. Illegal activity such as profiteering, theft and pilferage of scrap metal is to be deal with by metals recovery control units in conjunction with public security and industrial and commercial control units for a strengthening of market controls to ensure the healthy development of scrap metal recovery work.

D. Continued expansion of scrap iron processing capabilities and improvement in quality of processed products. Processing of scrap metal is an important link in metal recovery and processing. The amount of processed scrap iron and steel and the quality of processed products play an important role in the rational use of scrap iron and steel resources, in improving the quantity and quality of steel, in conserving energy, and in improving economic results. To insure fulfillment of recovery and delivery plans, the emphasis of scrap iron and steel processing rests on full use of existing processing equipment capabilities in accordance with the state of resources to expand processing capabilities for flimsy materials, steel and iron trimmings, scrapped equipment and junked motor vehicles to turn odds and ends into useful goods and big pieces into raw and finished goods that uses can use, thereby benefiting both steel production and conservation of transportation. In addition, further improvement in quality of processed goods is necessary. The premium quallty rate for compacted scrap iron and steel should be better than 90 percent. The amount of odd bits and pieces of steel in the middle of compressed units should not be more than 40 percent so that the unit will not come apart. A good job of processing scrap iron and steel is a long-term, constant task. Leaders of units concerned should give it their serious attention and support this work.

9432
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SMALL-SCALE ENTERPRISES

FRAMING OF SMALL ENTERPRISE POLICY DECISIONS DISCUSSED

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 21, 25 Sep 85

[Article by Chen Fugui [7115 4395 2710] and Zong Jinhui [1350 6930 6540]: "How Township and Town Enterprises Carry Out Operating Policy Decisions"]

[21 Sep 85 p 3]

[Text] Policy decisions are the application of scientific methods to the determination of future actions and goals and the selection from among the foregoing action plans of a rational plan to achieve goals. Simply stated, a policy decision is the selection of the best from among many plans. Policy decisions on the operations of an enterprise are major integral parts of an enterprise's policy decisions. There are policy decisions of a strategic nature regarding an enterprises' overall development and important operating activities such as the direction of an enterprises's development, operational goals and programs, development of new products, technical replacement and transformation, tactics to meet competition, amassing funds, the thrust of investment, sales and production plans etc. Policy decisions on operations determine whether an enterprises waxes or wanes,or succeeds or fails, so this work must be given complete, serious attention.

Policy decisions about the operations of an enterprise is a fairly complicated and systematic process of analysis and decision that includes the posing of problems, the analysis of problems and the solution of problems. To make sure that policy decisions on operations are correct and reliable, one has to adopt a scientific attitude and follow correct policy making procedures. The basic process of making policy decisions on operations is as follows:

1. Investigation and study of operating circumstances and the operating climate. This is a prerequisite for policy decisions on operations. It is also an investigation and a study of the enterprise's external climate and internal conditions, an analysis of the opportunities for development and the dangers that the enterprise faces, and the strengths and weaknesses of the enterprises. Only when one "knows oneself and knows one's adversaries" is it possible to "win victory in every battle."

2. Identification of operating problems and determination of operating goals. Identification of problems that have to be solved in operations and deciding

the goals one want to attain in operations are both the starting point and the point of return for policy decisions. Township and town enterprises have a very large number of problems in their operations; however, at any given time usually one or two problems are most important. Determination of the objectives of operations has to be founded on needs and capabilities and a distinction has to be made between short-range objectives and long-range objectives, the goals that must be attained and the goals that one hopes to attain, main objectives and secondary objectives and strategic objectives versus specific objectives. One must also straighten out the relationship among them. Goals must be clear, specific and quantified; every effort has to be made to reduce the number of goals.

3. Study and formulation of feasible operating plans. By feasible operating plans is meant plans that are able to solve a giving operating problem, assure realization of the goals of policy decisions, and provide conditions for implementation. There must be various alternative feasible operating plans. Formulation of feasible operating plans requires that one dare to innovate and that one listen earnestly to the differing views of all parties, that one pool collective wisdom and absorb all useful ideas. It also requires adeptness in motivating cadres, employees in the enterprise to emancipate their thinking, to seek realistic solutions, to give expression to their desires and to speak their views so they can make analytical comparisons.

4. Evaluation and selection of operations plans. First of all, full verification must be made of the feasibility of each and every operations plan, highlighting the advanced nature of techniques, the feasibility of realization, and the economic sense it makes. Cost of carrying out each and every operations plan and results must be compared; and direct and indirect economic benefits, as well as economic benefits and social benefits and ecological benefits must be calculated. At the same time, it is necessary to consider both the possibility that bad things may result and potential problems to make an overall evaluation. One plan should be selected from among the various operations plans for implementation in accordance with the principles of economics and effectiveness and after individual operations plans have been validated and evaluated.

5. Implementation of and feedback from policy decisions on operations. The correctness of policy decisions has to be determined from the results of implementation. In the decision making process, the tactical decisions and the work quality of each unit and every link has an important influence on the success or failure of a policy decision and even plays a decisive role. Therefore, an information feedback system has to be established for the comparison of results from each unit and each link with anticipated goals, to uncover discrepancies, to elucidate reasons and to take corrective actions to insure realization of all the goals of the policy decisions.

[25 Sep 85 p 3]

[Text] Township and town enterprises must abide by the following basic principles in making operations policy decisions:

1. To carry out the Party line, programs and policies; to obey national laws, regulations, and directives.

2. To proceed from realities and conduct a diligent analysis of feasibility. At the time when policy decisions are made, it is necessary to conduct conscientiously a survey and analysis of the climate outside the enterprise and conditions within it, deciding policy on the basis of real needs and capabilities.

3. Concern for economic results and correct handling of the relation among economic benefits. This is the only way of making policy decisions genuinely satisfy the needs of society and promote smooth development of an enterprise. In the handling of relationships among economic benefits, benefits for the enterprise must be linked to benefits for society.

4. Reliance on the masses and pooling the wisdom of everybody. Inasmuch as policy decisions on an enterprise's operations bave a wide bearing, effect the situation as a whole and require the knowledge and experience of many quarters, collective wisdom and strength must be brought into play.

5. Courageous innovation and daring to take responsibility. Definite risks exists in policy decisions about operations; therefore, plant managers and directors have a spirit of daring to take responsibility and courageously open new routes for development, and have to propose new ideas and methods of operations. They must also have sufficient capability to meet emergencies and be able to react quickly when extraordinary situations occur so that the enterprises' losses will be reduced to the miniumum.

There are numerous ways to make policy decisions on the operations of an enterprise; however, overall, they may be divided into the calculated policy decision method and the subjective policy decision method.

The calculated policy decision method is founded on a mathematical model. It centers around the use of mathematical relationships to show the relationship between one variable and another and between variables and goals, i.e. the construction of a mathematical model. Next answers are calculated in terms of policy making conditions. This method is suited mostly to policy decisions involving repetitious procedures.

The subjective policy decision method makes full use of people's intelligence. At its core is direct use of people's knowledge, experience and capabilities.At each link in policy decisions on operations, policy making goals, plans and parameters are put forth in terms of what is already known and existing data, and corresponding evaluations and selections made. This method is used in overall strategic policy decisions in which the effects of social factors are fairly great and intricate. Therefore, this is the main method used in making policy decisions for the operation of village and small town enterprises. Not only is this policy decision method flexible and handy to use, thereby saving time and energy, but it also can increase the policy maker's work capabilities, arouse the initiative of employees, and help in the carrying out of policy decisions. Frequently,however, this method is not rigorously validated. It is strongly subjective and sometimes since those participating in policy decisions have different kinds of knowledge, their views may be biased in a particular direction. Furthermore, conventional concepts frequently dominate with the result that policy decisions are fairly conservative. Therefore, when village and small town enterprises are making policy decisions on operations, they might best combine the foregoing two methods of making policy decisions.

Township and town enterprise plant managers and directors are the organizers and directors of enterprises' production and operations. They are the supreme policy makers. So what should they emphasize in policy decisions on the enterprise's operations?

1. Organization of investigation and study of markets and the external environment. They should pay particular attention to investigating potential customers for the enterprise's products and the potential needs of customers. They should also watch trends among competitors.

2. Consideration of the enterprise's internal situation, having a very good idea about their own strengths and weaknesses, competitiveness and adaptability.

3. Good performance in technical and economic analysis and feasibility studies of various policy decision plans, selecting the optimum plan.

4. Taking various effective actions such as technical transformation of the enterprise and organizing personnel readjustment to overcome weak links and insure that policy decision plans are carried out.

5. Making sure to take firm hold on the development of new products, to open markets and to train employees, tasks that are of long-range strategic significance.

6. Emphasizing the arousal of employee initiative, making sure to bring into play the role of all functional organizations and the vast numbers of employees.

7. Inspection of how well policy decision programs are being implemented. When problems are brought to notice, readjustments should be made at once and, when necessary, original policy decisions should be revised and new policy decisions formulated.

9432
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EFFECT OF 'SPARK PLAN' ON RURAL CONSTRUCTION DISCUSSED

Tianjin JISHU SHICHANG BAO in Chinese 4 Feb 86 pp 1, 3

[Article by Liu Zhongkui [2692 1813 7608]: "Town and Township Enterprises and the 'Spark Plans'"]

[Text] The modernization of our 800 million rural population is controlling the process of China's modernization.

To meet our grand goal of putting the four modernizations into effect, cities with their 200 million population must march in step with the 800 million in the countryside. If modes of production and lifestyles in the countryside do not change and the economy and education do not flourish, then it will be impossible to realize a revitalization of our people and our "four modernizations." A natural economy still dominates our countryside, the proportion of commodities is low, little has accumulated, and development is slow. In some places, even the problem of keeping warm and getting enough to eat has not been solved. If this goes on, it will lead to regression in the development of our entire national economy, which will affect the process of our "four modernizations."

The reality of the restructuring of the rural economy has caused people to understand the reasoning behind "no wealth without industry, and without agriculture there is no stability." To develop the rural economy we must first adjust rural economic structures and agricultural structures. In the broad sense, what we mean by "industry" is town and township enterprises. Town and township enterprises provide a suitable means to develop a commodity economy and by which to leave the production modes of a natural economy and move toward factory production modes. For example, when families raise chickens, even if a family raises dozens of chickens, per capita output value will not exceed 1,000 yuan. If chickens are raised with factory methods, per capita output value can reach tens of thousands of yuan. It can be seen that in setting up town and township enterprises, we will not only comply with people's situations, indicating a change in production modes and an improvement in production forces, but it will create the conditions by which to use advanced technology. For this reason, the "spark plan" makes use of science and technology to support the development of town and township enterprises, and as such is extremely necessary and timely.

By developing town and township enterprises we can forge a path that will suit Chinese national conditions.

At present, town and township enterprises have become an important component of the national economy. From 72 billion yuan in 1980, their output value rose to 170.9 billion yuan in 1984, which is 17 percent of the gross national product and 34 percent of the gross output value for the rural society. Their output value has risen by 24 percent each year. The development of town and township enterprises will play a big part in supporting the transformation of medium-sized and large cities, in absorbing surplus rural labor, and in spurring on development of overall construction in the countryside.

Some urban industries need to be dispersed, some cities want to establish technically intensive industries, and there are also some industries that are labor intensive, all of which could be dispersed into town and township enterprises. Large enterprises in the city can partially transfer the production of components to town and township enterprises. Because advances in rural technology have stripped away a large amount of labor from planting and cultivation, they can break up the capitalist model whereby "impoverished peasants flow into the cities," and if they are employed in town and township enterprises, this will allow peasants to leave the soil but not the village and to enter the factory but not the city. By the end of 1984 town and township enterprises had solved an employment problem for 50 million people, which was an enormous contribution. The development of town and township enterprises also directly accelerates technical advancement in agriculture and the improvement of education levels. It allows a full scale development of towns and townships politically, economically, technically, and culturally, and has a positive effect on the gradual elimination of "the three great disparities."

Development of our town and township enterprises is changing rural economic structures, agricultural structures, employment structures, and other economic areas. It is changing the deployment of industry in this country, is having a great effect on economic and social life, and has become an important support for rural modernization and for developing towns and townships. In addition, it is having a far reaching effect on solidifying industrial and agricultural alliances, on strengthening relations between the city and the town, and on elimination of the three great disparities. The integration of science and technology with town and township enterprises will forge a path that suits our national situation.

Town and township enterprises must be guided with the support of science and technology.

There are currently two types of development with the town and township enterprises. On the one hand, there is no "eating from the big pot," methods of operation are flexible, there is great autonomy, decision making is convenient, there are fewer levels of management, more is put into production, and there are things that state-run enterprises cannot do as well; on the other hand, technology and management levels are low, the labor productivity rate is low, product quality is lacking, and there is the problem of competing with state-run enterprises for raw materials and energy. For these reasons, we cannot encourage or limit town and township enterprises in ordinary ways, but must increase our guidance and active support. The "spark plan" is just that support for the scientific and technical development of town and township enterprises.

Currently, we must guide town and township enterprises to stress reliance on local resource advantages in developing processing industries, and that they should not compete with state-run enterprises for energy and raw materials. We should encourage qualified areas to increase production of energy and raw materials for the state. We must be careful not to use obsolete equipment from larger enterprises to run technically backward industries and we cannot develop industries that pollute the environment and that we cannot control. We should guide certain areas in overall planning, and must definitely not abandon agriculture because we are developing town and township enterprises. We should consider the problems of "no wealth without industry" and "no stability without agriculture" together, and make suitable arrangements.

Town and township enterprises lack technology, lack talent, and lack funds. Resolution of funding problems depends largely upon funds amassed from large numbers of people, on support partially from credit and other aspects, and on methods like joint operations. This means that technology and talent are the "fire" that the "spark plan" will give to town and township enterprises. Through selected demonstration sites, the "spark plan" will undertake development of suitable technologies and exemplary production, and will bring production techniques and equipment to the surface. Since demonstration sites are representative, they can promote the technical development of town and township enterprises and of planting and cultivation. Their advanced technology and scientific management, as well as obvious results, can lead other firms to follow good examples. Technical personnel trained under the "spark plan" will come from town and township enterprises. They will receive a short period of training according to the specialty to which they are assigned, and after they have mastered a certain amount of technology they can return to their enterprises to play even greater roles. Based on needs and possibilities, they may undertake training at higher levels. With more than 1million young high school graduates trained and acting as spreaders of the fire, they will play a big part in the development of town and township enterprises and in building the two civilizations in the countryside.

Guard against precipitate action, and guard against the running of "small, indigenous, and mass-run" enterprises.

The "spark plan" was proposed in the spirit of the resolution by the Central Committee to restructure the science and technology system, and is aimed at invigorating the local economy. The goal of the "plan" is to organize 500 demonstration sites during the "Seventh 5-year Plan," train 1 million technical personnel, and develop 100 kinds of equipment lines.

The Central Committee has great expectations for the "spark plan," which means that it is intended to be a fundamental policy carried on for a long time. It is just for this reason that in its implementation we want to guard against precipitate action, a full scale blossoming, and also want to guard against the "small, indigenous, and mass-run enterprises" of the "great leap forward" days making a comeback in new attire.

The "short, level, and speedy" projects undertaken by the "spark plan" differ from key scientific and technical projects that are medium and long term, and are also different in principle from "small, indigenous, and mass-run." "Small, indigenous, and mass-run" was a product of a political movement that was carried out in the circumstances of the "great leap forward," where agriculture had not yet come of age, that was forced, and worked at the cost of sacrificing agriculture; the "short, level, and speedy" projects of the "spark plan" are undertaken for technical development, are aware of economic results, and are based on the fact that agriculture has come of age and that the public is willing to invigorate the rural economy. "Small, indigenous, and mass-run," means small-scale, indigenous methods, and mass movement; in "short, level, and speedy," turnaround time for results is short, technology is not conspicuous (in contrast to high technology), and topics are quickly determined, developed, and disseminated. Although the two phrases are different in principle, neither can they be ignored in execution.

Primary fields of development in the "spark plan."

Near term emphasis for projects of the "spark plan" is in the areas of what the people eat, wear, live in, and use, as for example in the energetic dissemination and development of factory production technology for domestic fowl, water fowl, aquaculture, and animal husbandry, and in the setting up of small scale poultry raising and aquatic feeding and cultivation areas together with commodity processing plants; in development of factory processing technologies and complete sets of equipment for agricultural by-products, arranging for the importation of equipment, undertaking of absorption and assimilation, and equipping town and township enterprises; on behalf of construction in villages and townships and the building of rural buildings, to provide plans and designs for improving conditions and saving arable land, and to develop new types of building materials, prefabricated components, and small scale construction equipment; to disseminate new technologies for textiles, and to guide the application of new technologies into the production of goods and materials for everyday life. As for example with the design and cutting of clothes, electronic teaching tools and toys, and small commodities that are novel, convenient, or for traveling.

During the "Seventh 5-year Plan," we will rely upon science and technology to construct a group of modern, embryonic small and medium-sized enterprises throughout the countryside, scientific and technical talent by the thousands will be models as the countryside is undergoing a transition from a natural economy to a modern one, and it will be possible to forge a path that has Chinese characteristics and to make great contributions to socialist modernizations.

12586
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LESSON PROVIDED ON BASIC BUSINESS OPERATIONS PLANS

Beijing ZHONGGUO XIANGZHENQIYE BAO in Chinese 28 Sep 85 p 3

[Article by Zong Jinhui [1350 6930 6540]: "How To Draw Up and Adjust Enterprises' Business Plans"]

[Text] Operating plans are overall plans that enterprises carry out in time and space on the basis of operating decisions pertaining to production and business activities, to needs for various resources within a certain period of time and to the work of each component and link.

Inasmuch as township and town enterprises' production and business activities have many facets, their operating plans are also diverse. In terms of length of time, there are long-range plans, annual (or quarterly) plans, and monthly plans. In terms of content there are overall plans and special plans. In terms of scope of functions, there are enterprise plans, workshop plans, laboratory work plans, team and group plans, and individual worker plans. The foregoing plans are interrelated to form a complete planning system.

The drawing up of township and town enterprise operating plans is an objective requirement for large scale socialized production, and is an integral part of national economic plans. It is also an important means whereby enterprises make rational use of personnel, financial and material resources, realize operating objectives, and improve economic results.

But how should operating plans be drawn up and adjusted?

1. Basis for drawing up enterprises' operating plans. The main basis for drawing up twonship and town enterprise operating plans are as follows: (1) national long-term plans and programs and policies pertaining to development of the national economy; (2) the enterprises production and operating capacity, and its contract quotas; (3) plan quotas of a directive nature handed down by authorities in charge at a higher level and instructions pertaining to the drawing up of plans; (4) market information and forecasting data as well as contracts and agreements signed by customers; (5) the various technical and economic information and forecast data needed to draw up plans such as the advanced technical and economic indicators and data on trends of development in the same and related industries; (6) various technical and economic quota standards within the enterprise such as quotas for consumption

of materials, quotas for work times onproducts, quotas for materials kept in reserve, expense qauotas, product quality standards, and standards for payment of expenses; and (7) various first hand records and statistical data etc.

2. Basic steps in drawing up an enterprise operating plan. (1) Inspection and study of the environment within and outside of the enterprise to determine the pre-conditions in drawing up the operating plan; (2) overall planning taking all factors into account with a comprehensive setting of specific plan goals; (3) drawing up of different plan proposals for assessment, comparison and selection; and (4) overall balancing for formal determination of an operating plan.

3. Adjustment of enterprise operating plans. Changes may occur in the process of carrying out operating plans. Generally speaking, plan changes are normal because ther are many factors in an operating plan that cannot be definitely nailed down, and there are many changes inthe external environment. Therefore, township and town enterprises have to improve the quality of plans they draw up while they do a good job of adjusting plans. During adjustments,however, it is necessary to make sure that the serious intent of the plan be maintained.

Adjustments of operating plans means adjustments of individual actions, tactics, items and pace, or it may mean adjustments of programs and goals, making them larger or smaller. Methods of adjusting operating plans are generally either the rolling planning method or the standby planning method.

The rolling planning method entails plan revisions depending on how well the plan has been carried out during a fixed period of time (such as a year or a quarter) and in view of changes in the enterprise's internal environment, extending the plan for a plan period (1 year or 1 quarter) and deciding what it should contain. This is an adjustment that is suited to fairly stable production and sales of products.

The standby planning method is a standby plan for use, when necessary, to stop the original plan. The crux of this method lies in deciding the opportune time to use it. The basis for the decision is the situation with regard to the previously set criteria. It is used to readjust the substance of plans other than production and sales plans.

9432
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USES OF LUMBER SUBSTITUTES TO SAVE WOOD DISCUSSED

Beijing WUZI GUANLI [MATERIAL MANAGEMENT] in Chinese No 8, 20 Aug 85 pp 17-18

[Article by Han Yongwen [7281 3057 2429], Composite Economic Bureau, State Planning Commission: "Tap Potential For Wood Saving Substitutes To Assure Coordinated Development of the National Economy"]

[Text]

I

As a result of rapid expansion in the building of production in China and the rise in the standard of living in recent years, demand for wood has increased greatly. Nevertheless, since 1983 the trend has been toward an easing between supply and demand for wood. In addition to the substantial increase in imports of wood in recent years, energetic development of substitutes that save wood has been a major reason for this trend.

Work to substitute other materials for wood in China has advanced fairly rapidly and results have been marked ever since 1979 when the experiences of the Hangzhou Municipal Lumber Company in increasing the all-round use of wood were spread. Between 1979 and 1984, a cumulative total of 43 million cubic meters of wood were saved throughout the country for a 30 percent annual speed of increase. This included the years 1983 and 1984 when the amount of wood saved through substitutions amounted to 9.78 million cubic meters and 11.55 million cubic meters respectively, which equalled 33 and 39 percent respectively of the amount of wood provided the state during those 2 years. To solve the problem of a longstanding shortage of supply of wood, all jurisdictions explored experiences in the use of substitutes to save wood and actively applied and promoted them. For example, they used steel in the production of construction formwork, doors, windows and coal mine props, and they used plastics, magnesite and cardboard to produce packing cases and packing materials. They used cotton stems and sunflower stems to produce paper and packing materials, and they used all sorts of materials left over from the felling and processing of wood to produce shavings board, fiberboard and various kinds of sideline products. China now has the capacity to produce 2 million cubic meters of artificial boards. The avenue for substitutions to save wood has become increasingly broad and the potential is very great, playing a very fine role in advancing development of the national economy. Pertinent data show that of the more than 10 million cubic meters of wood usedannually in capital construction throughout the country 70 percent is used for construction formwork, scaffolds, doors and windows. As a result of the widespread promotion in recent years of steel forms, steel scaffolds, steel doors and steel windows in capital construction, in 1984 alone steel took the place of 4.4 million cubic meters of wood. Use of steel formwork by construction units under jurisdiction of the Ministry of Urban and Rural Construction and Environmental Protection now accounts for more than 80 percent of all formwork. In many provinces and cities, it accounts for approximately 75 percent of the total. In Beijing and Shanghai, virtually all windows used in capital construction are made of steel. Facts have shown that large scale use of substitutes for wood in the construction trades not only improves project quality and construction efficiency, but also promotes updating and technical advances in products. Of the approximately 40 million cubic meters of wood used annually throughout the country for production and maintenance, mine props alone consume 8 million cubic meters. After the promotion of metal and cement supports, expenditure of mine props per 10,000 tons of centrally allocated coal produced throughout the country declined from 107.2 cubic meters in 1979 to 76.4 cubic meters in 1984. A total of 5 million cubic meters of wood are used annually throughout the country for various kinds of packaging, but in 1983 and 1984 metals, plastics, and calcified plastic substituted for 1.57 million cubic meters of wood. Numerous large and medium size cities have made plywood, fiberboard and shavings board the main materials such in production, and the ratio of steel to wooden tools is also rising steadily. Saving and multiple uses of wood have also shown marked advance. From 1979 through 1984, accumulated savings of wood for the country as a whole totaled 17.6 million cubic meters, the saving for the years 1983 and 1984 amounting to more than 3 million cubic meters. The multiple use rate for wood rose from the previous 60 percent to 82 percent, and the rate was even high in some provinces and cities.

II

Despite China's very great achievements in wood substitutes, quite a few problems still remain. Prompt arousal of close attention and earliest possible solutions will help give impetus to the thoroughgoing development of the task of making substitutions and will further ease the conflict between supply and demand for wood.

A. Some places have slackened their efforts to substitute other materials so as to save wood. Accompanying further liberalization of city and country markets has been an ever increasing enlivening of wood markets outside of plan, a proliferation of dealers, and an expansion of channels through which dealings are done, all of which have been beneficial in supplementing inadequate supplies provided by national plans. One has to realize, however, that some places consider only present benefits and do not rigorously carry out the forest law. As a result reckless cutting and denudation has again come to the fore, and this has also had a bad effect on the substitution of other materials to save wood. Reportedly, in their haste to deal in wood, some places have slackened efforts in substitutions to save wood. Some places and units that had used substitutes for wood have reverted to the use of wood. Numerous rural peasants no longer use cement supports, beams or purlins but prefer once again to use mostly supports and timbers made of wood.

A look at progress in making substitutions to save wood throughout China shows less in producing areas than in marketing areas, less in small cities than in large and medium size cities, and less in rural villages than in cities and towns. Statistics show the saving of wood through substitutions in marketing areas throughout China to have accounted for 43 percent of total savings of wood through substitutions for the country as a whole; units under jurisdiction of central government ministries and commisions accounted for 31 percent, and provinces and regions producing wood accounted for only 26 percent. For various reasons such as scientific research capabilities, technical conditions and living habits, substitutions to save wood have advanced fairly slowly in rural villages and in small cities and towns, and the work is a long way from having been done as well as in large and medium size cities.

B. Quality of wood substitutes is inferior and prices are high. Because of the fairly rapid advance in substituting other materials for wood in recent years, frequently the wood substitutes have been crudely and shoddily made. Quality of some products does not measure up. Reports from urban and rural construction units show that in a random sampling of 62 steel windows in 1983, 62.4 percent met specifications. Though this was 19.6 percent higher than in 1982, it was a far cry from the new standards for 1985. In addition, because of the purchase of raw and processed materials through channels outside of plan by enterprises producing wood substitute products, prices have been high and neither varieties nor quality assured. This has resulted in inconsistent product quality and high prices.

C. Inadequate funds, outmoded skills, and enterprises' lack of ability to transform or develop themselves. Most of the enterprises that produce wood substitutes are collective and rural enterprises in which technical forces are universally weak,and equipment is old, technology outmoded, and testing conditions poor. Furthermore, because of the shortage of funds and technical forces, it is difficult for these enterprises to transform and develop themselves.

III

In a situation in which wood resources are insufficient, importation of resources is restricted by ability to pay foreign exchange and port unloading capabilities are limited, conservation and vigorous development of wood substitutes remains an extremely important strategic policy for China to solve the shortage of supply of lumber. In accordance with this policy, we should do further work in the following regards:

A. Heighten awareness, strengthen planning and do a good job of planning so that wood substitutes can be developed more extensively. The "National Wood Saving Substitutes Conference Minutes" and "Various Regulations On Saving and Making Rational Use of Wood and Use of Wood Substitutes" published in 1983 by the National Wood Saving Substitutes Conference gave powerful impetus to the expansion in recent years of work toward wood saving substitutes. Regions and departments concerned should continue to carry them out and to further heighten awareness, genuinely strengthen leadership, perfect organizations, formulate plans, and do a good job of statistical and supervisory work. Wood producing areas, in particular, should get rid of notions about "taking wood from the mountain," and sole concentration on the use of wood. They should proceed from a larger view of benefit to the country and benefit to the people to do a good job of substitutions to save wood. Good performance in the task of using substitutes to save wood is not just a matter of solving the wood shortage, but is also necessary in order to give impetus to technical advances, the development of new kinds of materils, promotion of the updating of products, and improving socio-economic effectiveness.

B. The state should give needed economic policy support. As was said above, most enterprises that produce wood saving substitutes are not very able to transform or develop themselves. To spur their development, the state should provide needed economic policy support. For example, it might allocate more scientific research funds, give preference to enterprises in providing some technical requirements and increase allocations of technical transformation loans. It might also give some assurance that raw and processed materials will be available through supply channels so that these enterprises will be able to build the ability to develop themselves as quickly as possible.

C. Enterprises must enhance their own quality through the strengthening of administration and management and technical transformation. First of all, it is necessary to strengthen economic accounting, to lower various kinds of costs and to lower product prices. Second, every available means should be used to raise produce quality, to increase product varieties and to expand operations. Finally, technical progress has to be accelerated, production conditions improved and economic results increased across the board.

D. Blaze new trails in wood saving substitutes. In the processing of wood for use, more efforts will have to placed on improving the overall rate of use and on increasing the effective number of years wood can be used. In the field of substitutes, as a result of the development and burgeoning of plastic and some other new materials industries, broad markets have been created for wood substitutes. Future efforts should be placed on using these new materials and on expansion of the scale of substitutes, such as use of plastics to produce construction formwork, furniture, doors, windows etc.

9432
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FOREIGN TRADE AND INVESTMENT

TRADE OFFICIAL VIEWS FUTURE TRADE PROSPECTS

HK070437 Beijing XINHUA Hong Kong Service in Chinese 1315 GMT 6 Apr 86

[Feature by Reporter Qu Yueying [1148 2588 5391]: "An Overall View of Economic Cooperation between Hong Kong and the Interior -- Interview with Zhang Peiji, Director of International Trade Research Center of Ministry of Foreign Economic Relations and Trade" -- Handwritten]

[Text] Hong Kong, 6 Apr (XINHUA)--Today, a Xinhua reporter paid a visit to Zhang Peiji, director of the International Trade Research Center of the Ministry of Foreign Economic Relations and Trade, who is currently visiting Hong Kong, and asked him to air his views on the new developments in China's foreign trade as well as its economic cooperations with Hong Kong.

Zhang Peiji said: "The trade relations between Hong Kong and the interior should be viewed from a macroeconomic point of view, because trade has to be closely linked with investment and economic cooperation, so that each can bring into play its own strong points, share out the work, cooperate with each other, and develop in a coordinated way.

"As a result of construction for more than 30 years, "China's industry has formed a considerable production scale, possesses some technical forces and production conditions, and has ample manpower, thus constituting a gigantic support force for Hong Kong's manufacturing industry which is now undergoing changes. Meanwhile, Hong Kong possesses favorable conditions in the aspects of capital raising, market information, and business management. If these strong points are combined to make up for each other's deficiencies, the prospects for joint development will be excellent."

Zhang Peiji pointed out: "To take a prospective of and analyze the economic and trade outlook for Hong Kong and the interior, it is essential to gain better understanding of the actual conditions of both of them. I will now discuss the situation in the interior."

Foreign Trade Guideline for the Seventh 5-Year Plan

Zhang Peiji said: "During the period of the Seventh 5-Year Plan, from 1986 to 1990, China will promote in-depth development of its entire foreign trade and economic and technical exchanges, centered on boosting its capacity to earn foreign exchange through exports. It is estimated that by 1990, total import and export volume will rise by 40 percent over the 1985 figure, rising at an annual average of 7 percent, which includes an annual increase of 8.1 percent in exports and 6.1 percent in imports.

"China must achieve two changes in the makeup of its export commodities: 1) Change from focusing on exporting primary and raw material products to exporting manufactured industrial goods; 2) change from exporting mainly rough-processed goods to exporting finely-processed goods. Hence, the state is vigorously supporting the establishment of a variety of bases and specialized plants for turning out export commodities, and promoting the effort to set up an export commodities production system; in using foreign investment and importing technology, priority will be given to stepping up the technological transformation of enterprises turning out export products, focusing on improving export commodity quality, and to continually developing new products, to meet the needs of the ever-developing international market.

"The state is gradually setting up and putting on a sound basis, a foreign sales and information network, and improving before-and after-sales service, thereby increasing the competitiveness of its commodities in the international market."

Regarding key export products, Zhang Peiji said: "Mechanical and electrical goods will represent the key orientation of development in the next 5 years. General machinery, textile machinery, medium and small complete sets of equipment, ships and automobiles, and electronic goods and parts all have potential for increased exports. The other aspects are: consolidating and developing the traditional agricultural, sideline, and indigenous products; focusing on improving quality and moving up-market in light and textile industry goods, and increasing their variety; and continuing to organize exports of oil, coal, metals, and other resources. However, due to the large domestic requirement for these latter items, it is estimated that exports of them will not increase much."

Ensuring Imports of Key Materials Needed for National Construction

Zhang Peiji said: "The ultimate aim of earning foreign exchange through exporting is to ensure imports of key materials needed for national construction. The following are the future focal points in imports: software, advanced technology, and key equipment; however, imports of ordinary processing equipment and consumer durables will be restricted.

"China abounds in resources, but not when calculated per head of the population. Some resources still await exploitation, and we are also short of certain resources. Hence, for quite a long time to come, supplies of raw materials in China will be rather short and we will still need to inport them in considerable quantities. The majority of such imports will consist of steel, chemical fertilizer, chemical raw materials, chemical fibers, and timber. We will need to import some grain also.

"Imports of ordinary consumer goods will be controlled. Generally speaking, of course, how much we import is determined by how much we export and by our capacity to pay."

A Variety of Forms of Trade

Zhang Peiji said: "The total volume of China's import and export trade for 1986 is estimated at $56.6 billion. Compared with last year there will be an increase in exports and a drop in imports.

"Forms of foreign trade will become still more flexible. Apart from cash and credit trade according to international convention, we will continue to use methods such as processing imported raw materials for foreign customers and compensation trade. In accordance with the requirements of a development country, we have already started to pay attention to using the method of reciprocal trade."

Unfavorable Factors

Zhang Peiji pointed out: "China's foreign trade will continue to develop this year, but it will encounter more difficulties. It is estimated that the world economy will continue to grow at last year's low rate, protectionism will be stepped up, and prices in the international market will tend to drop. In particular, the decline in oil prices will have a considerable impact on China.

"Some enterprises are not managed well, and there are also problems in the quality of export products; transport shortages also affect the normal process of our exports. We are not taking effective measures in an effort to solve these problems."

Zhang Peiji said in conclusion that in being invited to Hong Kong on this occasion to attend the 8 April seminar on "China's Foreign Trade" organized by the Hong Kong Trade Development Council and the China International Trade Information Research center, he is very happy to have the opportunity to meet friends in Hong Kong's economic and trading circles, to explore together with them ways of promoting the development of economic and trade cooperation between Hong Kong and the interior.

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IMPACT ON PRC TEXTILE EXPORTS OF SPAIN, PORTUGAL ENTRY INTO EEC

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 9, 27 Sep 85 pp 32-33

[Article by Jin Shunzhu [6855 7311 3796]: "EEC Membership of Portugal and Spain Will Hurt China's Textile Exports"]

[Text] The European Economic Community [EEC] was expanded for the third time recently, a big step forward in Europe's march toward political and economic integration. The admission of Spain and Portugal into the EEC will bring about the second expansion of China's textile agreement with the Common Market. (It was first expanded in 1981 when Greece joined the EEC.) Now that Spain and Portugal have become new EEC members, China will negotiate with the EEC the drawing up of a textile trade supplementary protocol this fall.

The EEC is one of the principal markets of China's textile exports. Since July 1976 when China and the EEC initialled the first textile trade agreement and March 1984 when an additional protocol was initialled, Chinese-EEC textile trade has made tremendous progress, with Chinese exports rising to 96,000 tons in 1984, up from 30,900 tons in 1979, an increase of more than 200 percent. The number of quota categories also rose from 17 to 21, while regional quotas were expanded from 12 to 30.

Chinese textile exports to the EEC are currently dominated by popular, low- and medium-priced goods, including raw materials like yarn, thread and grey cloth and semi-finished products. Chinese textile exports to the EEC started from a very small base and account for less than 1 percent of total EEC textile imports, lagging far behind the shares occupied by Hong Kong, South Korea and Taiwan. In some categories, particularly high grade products (e.g., apparel), we are at present under-using the quotas allocated to us. In other words, we have the potential to expand textile exports to the EEC.

Spain and Portugal, too, are main textile suppliers to the Common Market. Their exports are not widely distributed among the more than 100 textile categories but are concentrated in such areas as knitwear and apparel. In 1984, Spain exported 88,000 tons of textiles to the EEC, less than 20 percent of its total textile exports. Portugese exports amounted to 114,000 tons, or 40 to 50 percent of its total textile exports. Among Portugese exports, knitwear and apparel were each valued at more than $400 million, while its entrepot cotton trade through Europe had a price tag of $156 million. At present Portugal's and Spain's exports to the EEC are subject to quotas, which will continue in the first 3 years after they joined the Common Market. Because of their membership, however, quota restrictions are scheduled for gradual relaxation, thus enabling their exports to grow faster than that of other nations, to the latter's disadvantage.

There is very little textile trade at present between China, on the one hand, and Spain and Portugal, on the other. Chinese-Spanish trade accounts for a mere 0.5 percent of Spain's foreign trade; textile's share is even more tiny. In 1984, Chinese textile exports to Portugal were valued at just $1.39 million (of which grey cloth accounted for $860,000; cotton, $170,000; cotton cloth, $110,000; tablecloths, $100,000; synthetic fiber, $60,000 and silks, $20,000.) Judging by the present commodity mix, therefore, Chinese textile exports will not encounter stiff direct competition in the EEC from Spain and Portugal. Since Portugal itself is an importer of Chinese grey cloth, such Chinese exports as grey cloth and cotton yarn will not be significantly affected. But Chinese exports in such categories as apparel, knitwear and cotton fabrics will be impacted to a certain extent in the following ways:

1. Effects on quotas and quantity.

After Spain and Portugal joined the EEC, they must abide by EEC rules and regulations in every way. This fall, China will open talks with the EEC to work out an agreement on textile trade among China, Spain and Portugal. We expect the agreement to be similar to one reached between China and Greece after the latter's admission into the EEC in 1981. To enable total EEC textile imports to increase correspondingly following Spain's and Portugal's ad- mission, the EEC is preparing to increase the percentage of textiles it imports from non-EEC countries". This was what happened in 1981 when Greece became a member. Taking total textile imports by the nine member nations in 1980 as 100 percent and assuming Greece's share of imports to be 2 percent, the EEC raised its combined imports in 1981 to 102 percent. At the same time, Greece imported textiles from other countries to the tune of 2 percent of total EEC imports. In view of Spain's and Portugal's entry, the EEC now proposes to increase total textile imports to 111.5 percent to accommodate Spain's 8 percent share and Portugal's 1.5 percent. Textile imports by the EEC will be calculated in accordance with the above proportions from 1986 onwards. But because China's textile trade with Spain and Portugal started from from such a low base, beginning in 1986, Spain and Portugal will allocate textile export quotas to China starting from the existing value of their trade with China or at a slightly higher level, to be increased gradually in future years by the percentage stipulated in the textile agreement between China and the EEC. Spain and Portugal, however, will declare certain textile categories as sensitive and demand the imposition of regional quotas on imports in these categories. At the same time, they will allocate a token quota to cover imports in categories where there are no Chinese exports at the moment or include them as basket goods.

In recent years the EEC has tightened restrictions on Chinese textile imports. Over the past 5 years, for instance, it has held discussions with China more than 50 times, and has set down rules preventing the free circulation of certain products within the Common Market and limited the transfer of quotas, etc. Portugal's textile industry, like that of Spain, is more advanced than ours. Hence not only are our textile exports unlikely to experience any rapid expansion in the EEC in the days ahead, but there will also be more stringent quota restrictions.

2. Effects on apparel, knitwear and cotton goods.

In apparel, knitwear and cotton goods, Spain and Portugal are in a more competitive position than China. For one thing, they have the advantage of geography; their goods can arrive in time for seasonal sales. Second, after they became EEC members, quota restrictions now in effect will gradually be abolished. Also, as they are all European nations, the variety and pattern of their textiles goods are better suited to the EEC market than ours. For all these reasons, the admission of Portugal and Spain into the EEC will have a definite unfavorable impact on China's textile exports, particularly in such categories as apparel.

To expand our textile exports to the EEC and turn unfavorable factors into favorable ones, we must take the following measures:

1. Increase the more popular lines of products, upgrade our apparel and work hard to alter our textile export mix. Even as we maintain our niche in such traditional exports as grey cloth and semi-finished silk, we should shift our emphasis to sophisticated, moderate- and high-priced products which have appeal in the EEC market and gradually reduce the share of low-priced exports like grey cloth and semi-finished silk. Moreover, we must energetically develop new products, particularly top-of-the-line apparel made of pure cotton, superfine fiber and other blend fabrics.

2. Quota management must be improved. China's present system of quota management is grossly ill suited to the demands of the new situation. Since the system is flawed, the measures are half-hearted and statistical work is weak, there have been endless instances where quotas were either exceeded or under-used. Besides, since EEC textile quotas seek to impose quantitative limits, not those on dollar value, we should take effective measures to export high-quality, high-priced and superior products to earn more foreign exchange.

3. We should improve advanced technology and equipment and speed up the technological modernization in the textile industry. In this way we can master the arrival of the day when our products can catch up with world trends in terms of quality and standards and lay a good foundation for export.

12581
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EXPORTS OF LIGHT 'INDUSTRIAL' PRODUCTS' UP IN FIRST QUARTER

OW140642 Beijing XINHUA Domestic Service in Chinese 0155 GMT 13 Apr 86

[By Correspondent Huang Qingming]

[Excerpts] Beijing, 13 Apr (XINHUA)--During the first quarter of 1986, China has changed the situation of a continuous decline for several years in the export of light industrial products and has registered a steady growth in the light industry.

According to the statistics compiled by the Ministry of Light Industry, several of China's main base areas for the export of light industrial products such as Shanghai, Guangdong, Jiangsu, and Zhejiang have registered marked growth in both the volume and value in the export of light industrial products during the first quarter of 1986. The total output value of light industrial products in the first quarter of 1986 was 8.6 percent higher than the same period of 1985. The amount of foreign exchange earned by the China National Light Industrial Products Import and Export Corporation during the first quarter of 1986 increased more than 50 percent as compared with the same period in 1985.

According to statistics, the output of refrigerators during the first quarter of 1986 rose by two-thirds, beer rose by one-third, and sugar, wristwatches, glassware, detergents, and washing machines also rose by over 10 percent as compared with the same period of 1985. In order to meet the needs of the market, light industrial enterprises also vigorously increased the output of two-door refrigerators, washing machines with double compartments, electric floor fans, furniture sets, synthetic carpeting, stainless kitchenware and other high-quality consumer goods.

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ANSWERS TO FOREIGNERS' QUESTIONS ON INVESTING IN CHINA

Beijing GUOJI MAOYI [INTERTRADE] in Chinese No 9, 27 Sep 85 pp 40-41

[Interview with Dong Shizhong [5516 0013 1813], associate professor in the law department at Fudan University; date and place of interview not given]

[Text] Question: Can a Chinese-foreign joint venture recruit workers on its own? What are the recruitment criteria?

Answer: The board of directors of a Chinese-foreign joint venture shall determine the enterprise's labor plan. All it has to do is to report the plan to the department overseeing the enterprise and the labor department concerned for record purposes. Under the labor plan, the joint venture can recruit workers from among people awaiting employment in the area where it is located. With the permission of state and collective enterprises, it may recruit from among existing workers. It may also look for workers in the outskirts of the city. If a joint venture cannot obtain the engineering, technical and managerial staff it needs after a search in the city where it is located or the outlying suburbs, it may recruit outside the area.

To be employed by a joint venture, a person shall be at least 16 years of age and must go through an examination or evaluation before he is selected and hired. If a probation period is required, it shall range from 3 to 6 months. If an employee is deemed to have failed his probation, the joint venture may decide to dismiss him or extend his probation. A foreign partner may also recommend for employment competent, experienced individuals in the country whose skills are needed by the enterprise.

All joint-venture employees shall be governed by a labor contract. A joint venture may enter into a collective labor contract with a labor union. In addition, based on its production and work requirements, it may sign labor contracts of varying durations with workers and employees. Copies of labor contracts shall be sent to the department concerned and the labor department in the locality for the record.

Question: Can a Chinese-foreign joint venture dismiss its employees?

Answer: After consulting its labor union, a Chinese-foreign joint venture may dismiss some of its workers if they are made redundant by changes in production, operational or technical conditions. One month before the dismissals are to take place, the joint venture must inform the affected workers and report such dismissals to the department concerned and the labor department for the locality for the record. However, within the duration of a contract, the joint venture shall not dismiss a worker under treatment for or recuperating from a work-related injury or an occupational disease. Nor can it dismiss a female worker on maternity leave.

A joint venture has the right not to renew a labor contract when it expires, in which case, however, it shall distribute severance pay to the worker(s) affected. Severance pay is to be calculated in accordance with the number of years during which the worker has been with the enterprise. For each year of service, he shall receive severance pay equal to 1 month's wages. For each additional year beyond 10 years, he shall receive a month and a half's wages.

A worker dismissed during the duration of a contract shall receive compensation equivalent to 3 to 6 months' wages in addition to severance pay calculated in accordance with regulations.

A joint venture shall draw up its own reward and penalty regulations based on its own circumstances. It may take administrative disciplinary measures against a worker who violates enterprise rules and regulations and causes definite consequences, depending on the seriousness of the case. It may dismiss the worker if the gravity of the case so warrants.

Question: In what way shall labor disputes in joint ventures be settled?

Answer: A joint venture shall first try to settle a labor dispute through consultations with its labor union. When this fails, a party, or both parties, to a labor dispute may approach the labor department of the locality for mediation or submit the case for arbitration. It may also file suit in the local court.

Question: Can a Chinese-foreign joint venture hire college and technical secondary school graduates? How?

Answer: A Chinese-foreign joint venture can employ college and technical secondary school graduates. After ascertaining the number of such graduates it will require, it shall apply to the department concerned so that the latter can make the necessary arrangements in cooperation with job allocation units at colleges and technical secondary schools. Colleges and schools are not turning out enough graduates to satisfy the needs of all the nation's enterprises and institutions for qualified personnel. Even as we allocate graduates, we must urge all enterprises and institutions to train expertise through various channels and at various levels. Joint ventures, too, can adopt a variety of methods to commission institutions of higher education and technical secondary schools to develop professional staff and send personnel abroad for advanced training.

Question: Can a Chinese-foreign joint venture employ workers from outside the locality?

Answer: In principle, a joint venture shall recruit workers in the area where it is located, but if the locality cannot meet its needs, it may, with the permission of the labor department in the area, look elsewhere for workers, particularly engineering, technical and managerial personnel. A worker recruited from outside may not have his residence registration transferred while on probation.

Question: What do the "actual wages of a joint venture worker" refer to?

Answer: The "actual wages of a joint venture worker" refer to basic wages, allowances and bonuses. Excluded are state subsidies for food, oil, non-staple food, medical care and fuels and other allowances for housing and transportation.

Question: Other than wages, what other payments shall a joint venture make to its workers?

Answer: Besides wages, a joint venture shall be responsible for the costs of treating work-related injuries and occupational diseases. It shall pay compensation to a worker who suffers a partial disability as a result of a work-related injury or an occupational disease and be responsible for the living expenses of a worker who suffers total disability as a result of a work-related injury or disease, the burial expenses of a worker who dies on the job and pension for the family of the deceased. In addition, it shall bear the costs of treating non-work related injuries and diseases, the living expenses of an injured or sick worker after the expiration of his sick leave, the living expenses of workers who are totally disabled as a result of non-work related injuries or diseases, burial expenses of deceased workers and pensions to their family members, and the medical fees of workers' family members.

To cover the above expenses, a joint venture may take out employee health insurance and security insurance policies with an insurance company and pay an insurance premium every month.

Question: What are the functions of the labor union in a Chinese-foreign joint venture? How do we settle disputes between a joint venture and a labor union?

Answer: The labor union in a joint venture is the workers' representative organization. It concludes labor contracts on behalf of the workers and oversees the execution of the contracts by the enterprise. It also helps the enterprise do a good job in technical and professional staff training and safeguards workers' interests.

When a dispute arises between a labor union and a joint venture, they shall try to work it out through discussion. They may also submit it for arbitration or file suit in a law court.

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BRIEFS

SHANDONG FOREIGN TRADE--During the Sixth 5-Year Plan period, Shandong Province earned $10.25 billion through exports, showing an increase of more than 100 percent over the Fifth 5-Year Plan period. The average annual increase registered was at 8.1 percent. Last year $2.667 billion was earned through exports, a 16.6-percent increase over 1984, which greatly exceeded the average national increase rate. Last year the province exported 82,000 tons of cotton, 150 percent over the previous year, and exported 580,000 tons of corn, 430 percent over the previous year. These two products became key commodities for exports, earning $100 million and $70 million , respectively, for the province. [Summary] [Jinan Shandong Provincial Service in Mandarin 2300 GMT 25 Mar 86 SK] /12624

SHANDONG FOREIGN EXCHANGE--In 1985 Shandong Province earned $2.667 billion of foreign exchange from exports, exceeding the state plan and showing an increase of $378 million, or 16.6 percent, over 1984. [Summary] [Jinan DAZHONG RIBAO in Chinese 21 Mar 86 p 1 SK] /12624

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SPECIAL ECONOMIC ZONES

JINGJI YANJIU ON SEZ DEVELOPMENT STRATEGY

HK030531 Beijing JINGJI YANJIU in Chinese No 2, 20 Feb 86 pp 47-51

[Article by Gao Weiwu [7559 0251 2745] of the "XUESHU YANJIU" Editorial Department: "The Major Strategies for Industrial Development in the Special Economic Zones at the Present Stage"--completed in December 1985]

[Text] The Construction of the Special Economic Zones Should Be Mainly Based on Industry

If we are to study the problem of special economic zone [SEZ] industrial development strategy, we must first get a correct understanding of the position and role of industry in SEZ economic development, and on this basis decide which overall economic model to select for the SEZ.

If the SEZ's are to be built into "four-windowed" openings through which technology, knowledge, management, and foreign trade will flow, and are to become pivots of the two radiating "fans" of domestic and foreign economic activities, then we need to develop modern social productive forces. Advanced industry is the basis and symbol of modern social productive forces. If there are not a large number of organically linked industrial enterprises, it will not be possible to form modern social productive forces. The SEZ's have basically urban economies, and agricultural and resource development cannot be carried out to any large degree. Thus, SEZ production is primarily industrial production, and more specifically, processing industry production. If industry is not developed, although at times the SEZ economy may prosper, it will be weak and will be unable to stand the pounding of market fluctuations.

Some people advocate that the special zone should and can use the advantage of their proximity to Hong Kong and Macao to skip the traditional stages of industrial development, stress development of the tertiary industry, and become modern service industry centers for commerce, technology, information, and banking. I believe that this idea is divorced from reality. Commerce, information, science and technology, banking, and other tertiary industries are intended to serve industry and livelihood consumption. If industry is not developed, then tertiary industry will have no target to serve and will have no firm base. Our several SEZ's have weak economic bases and rely solely on import-export trade. They thus cannot become commercial, information, science and technology, and banking centers. If an SEZ does not have its own industrial products and relies solely on buying and selling, it will be very difficult for it to maintain its prosperity and more difficult for it to have an outward-oriented economy. Thus, it can be said that the processing industry is the basis of an SEZ economy truly oriented to the outside.

Taking industry as the main part does not mean that trade, information, science and technology, tourism, and banking have only minor positions. Production determines circulation and circulation reaction must play a guiding and driving role in production, especially in the outward-oriented economy and in foreign trade. It is even important that information, trade, and communications facilities be arranged in advance, and we must develop education and scientific research. Industry is a basic condition for the overall economic development of the economic zones. However, it is not the only condition, as industrial development is restricted by other conditions and, at the same time, also serves overall economic development. Industry which serves only itself cannot accord with the development needs of an outward-oriented economy. If, in order to develop industry, beautiful tourist resources or the environmental balance are destroyed, or if obstacles to the development of other industries are put up, it will be impossible for the area to become a comprehensive SEZ with diverse industries. Neither is taking industry as the main part equivalent to having all SEZ industries occupying a major position in the zones' production structure and economic structure or having the SEZ's total output value exceed the sum of other industrial output in the national income. All SEZ's must develop outward-oriented economies. This is their common nature. But as every SEZ has its own characteristics, there should not be just a single pattern of an outward-oriented economy. At present, all SEZ's say that they want to become comprehensive special economic zones. However, the conditions for all the SEZ's are different and they all should have their own points of emphasis. Some should basically be "industrial processing zones" and, of course, industry should form the largest part of operations. Other large parts should be "free ports" or "free trade zones," and in these areas, trade and tourism should be more prominent. However, in the production structure and the economic structure, these should not constitute fixed proportions. In each SEZ, the production structure and economic structure will be continually developing and changing. In the initial construction period, we should stress the basic construction work of preparing the infrastructure, whereby electricity, road, water, telephones, stormwater pipes, and sewage pipes are introduced and the land is levelled. At the same time, we must arrange funding through which to positively develop trade and tourism. At this stage, industry cannot take the prime position. When the SEZ economy is fully developed, that is when it has reached the so-called improve stage. At this stage it is inevitable that the tertiary industry will surpass ordinary industry and overall secondary industry. However, at present, now that certain basic construction has been completed in the SEZ's and they have entered the stage of developing an outward orientation, if, in arranging work and using economic strengths, we are to take industrial construction as the key point and achieve great industrial development, we must resolve the question of how we are to squeeze more of our products onto the international market. However, must industry occupy the major position in the production and economic structures of all SEZ's during these few years? I think that we should proceed from reality and should not be too impatient for success. The importance of foreign funds and foreign technology in order to develop industry oriented to the outside is not something which one side can subjectively decide on. It requires willingness on both sides. If we do not pay attention to objective reality, one-sidedly pursue industry as the main part, and rigidly build many industrial enterprises, when they start producing, it may result in overstocked products or products which can only be sold domestically. While output value ratios would be met, this would not accord with the demands of the overall strategic goals.

Export Substitution is the Major Avenue for SEZ Economic Development

The greatest difficulty faced in economic construction in the SEZ's is the contradiction between the import of foreign funds and technology and the foreign sales of products. If products could be freely sold domestically and the SEZ's were only responsible for the import, digestion, and absorption of new technologies and their transfer to the hinterland, this type of inward-oriented industry could be developed very easily. However, this would require the state to expend large amounts of foreign exchange and national industry would be subject to great pounding and attacks. This would be of no help in domestic socialist economic construction and of no benefit in the development of our nation's outward-oriented economy. This is no way to realize the strategic goal of establishing SEZ's. It would also not be difficult to pursue economic development where only foreign sales of our products are sought and where any industrial production which can enter world markets is acceptable. However, with this, the SEZ's would become low-level processing areas handling only the three forms of import processing and compensation trade and would end up as industrial area appendages to ports. They could even become sites to where the capitalist countries transfer their polluting industries, and then there would be no way for them to achieve the goal of "four-windowed" openings. This sort of special zone is not the sort we want to operate. How we are to overcome the contradiction between [unclear] and foreign sales is the key to SEZ industrial construction.

The concrete avenue for resolving this contradiction is export substitution. This so-called substitution refers to substitution of exports from the hinterland; that is, it refers to hinterland raw materials, semi-finished products, and end products being processed in the SEZ's and then being sold on the international markets. Reprocessing hinterland products in the SEZ's can naturally be considered as export substitution, but the most important thing is the degree of processing. That is, the value added by processing should be over 20 percent, as only in this way can it be truly differentiated from entrepot trade. The transfer of the raw materials and low-quality products traditionally exported from the hinterland to the SEZ's for quality processing and export is pure export substitution. The processing of hinterland materials, semi-finished products, and end products, which have not been sufficiently exported, in the SEZ's so as to increase the quantities sold on the international market, or the arrangement of export of hinterland labor or technology, also have an export substitution nature.

The development in the SEZ's of processing industries which use hinterland products as raw materials will result in it not being necessary to use foreign exchange to purchase raw materials. We will be able to reduce our dependence on foreign commerce and production will become more autonomous. At the same time, we will be able to bring into play the superiorities of the hinterland's raw materials and use the industrial and technological bases in the hinterland. Thus we will be able to develop "short-fast-balanced" enterprises where the work period is short, the effects are seen quickly, and foreign exchange is balanced. We can also motivate the enthusiasm of the various regions in the hinterland and can gain support for the SEZ's from the hinterland. At the same time, this will benefit the transfer of technology to the hinterland. Thus, on the one hand it will promote the industrial development of the SEZ's, and on the other hand will promote the prosperity of the hinterland's economy. This will provide more specific aims in the importation of technology and will also increase our capabilities in this area. It will also greatly appeal to foreign commerce. It will thus be quite easy to purchase major equipment and software and to arrange foreign imports and domestic connections, or alliances of foreigners, SEZ's, and hinterland areas. This will be of benefit in resolving the contradictions between foreign imports and domestic sales and between obtaining technology and achieving a foreign exchange balance. Also, in such a situation, the SEZ's need not be complete industrial systems before they can set their sights on the world markets and developing as quickly as possible outward-oriented industries.

In terms of the hinterland, this type of enterprise provides export substitutes; while in terms of the SEZ itself, they provide an export orientation. Many countries and regions in developing outward-oriented economies go through several stages: 1) The first stage of import substitution; that is, importing technology and drawing in advanced experiences so as to allow the production of some fairly simple products which originally had to be imported, so as to foster the country's basic-level industrial production. 2) The second stage of import substitution; that is, the importation of funds and technology so as to develop large-scale double-intensive enterprises that can produce durable consumer products and modern production materials. 3) The first stage of export orientation, in which simple export products are produced. 4) The second stage of export orientation, in which high-level, double-intensive products are exported. It is very possible that in setting their sights on the international market, our nation's SEZ's will be able to draw in foreign funds and technology, fully use the resources, industrial bases, and technological strengths of the hinterland, and be good at bringing into play all sorts of superiorities, and thereby leap over the early stages and achieve export orientation ahead of time.

This export substitution as the main direction and main avenue in SEZ industrial development does not negate the necessity and possibility of developing other industrial enterprises. Industrial enterprises, either wholly-owned or joint ventures, which import raw materials, draw in new technology, and sell their products abroad, often have better technology which is beneficial to the absorption and transfer of advanced technology, and is also of benefit in the study of advanced management experiences. Those enterprises which engage in the three types of import processing and compensation trade provide large amounts, but the processing charges are also quite considerable. At the same time, import substitution industry should be selectively developed. When developing export substitution industries, we must also strengthen the import of foreign funds and technology. Thus, SEZ's taking export substitution as the key avenue for developing industry does not contradict with the importation of foreign funds and foreign technology and having solely-owned, joint venture, and cooperative enterprises as the main part.

Developing Some Import-Substitution Industries Is Also Essential

Our SEZ's should use export substitution as the main avenue of industrial development. However, at the present stage we cannot completely do without import substitution. Developing some import substitution is also essential.

1. This is a requirement in terms of hinterland production and livelihood consumption. Our nation is vast in territory, the economy is backward, and development is extremely uneven. In order to speed the development of production, speed technological transformation of old enterprises, and accord with the demand to quickly improve the people's standard of living, every year our nation must import a great deal in the way of the means of production and durable consumer products from the international market. If the SEZ's import technology, equipment, and raw materials, engage in component assembly, and produce some products which can replace imports, we can reduce our foreign exchange expenditure. This will satisfy the demands of the domestic market and promote competition in domestic production and the raising of the production level. Neither complete dependence on imports nor the complete banning of imports will benefit the development of the domestic economy. We should have a policy which selectively uses import substitution, whereby as far as possible we produce those things which we are capable of producing and which are of benefit.

2. This is a requirement in light of the importation of foreign funds and foreign technology. An important aspect of the creation of SEZ's is the importation of foreign funds and advanced technology, especially industrial technology. If we are to obtain funds and technology, then there must be benefits for those supplying them. While some foreign businesses want to make use of our cheap labor and preferential taxes, and thus invest in building factories in the SEZ's, the most important thing for the majority is our nation's consumer market of 1 billion people. In the present situation where funds and technology are monopolized in the hands of international financial consortiums, it is impossible for us to not allow any sales to the domestic market and require that all industrial products of SEZ enterprises be exported. If we are to open up some of the hinterland markets, attract funds, and exchange certain amount of domestic sales for advanced technology, this requires that we carry out import substitution and allow a portion of the products of the SEZ enterprises (including joint-venture and wholly-owned enterprises) to be sold in domestic markets, so as to reduce the hinterland areas' importation of those products.

3. This is a requirement for the economic development of the SEZ's. The scale of our SEZ's is quite large and their economic and population development are quite fast. The standard of living is higher than in the hinterland and it is not easy to satisfy the demands of the residents, workers, and tourists in regard to livelihood consumption products. It would not be worthwhile to rely on the expenditure of foreign exchange to import high quality commodities, and thus would not solve the problem. Thus, there is a need to produce some import-substitution products for sale. Also, if the SEZ's do not have their own advanced industrial products for exchange, there will be no way for them to obtain agricultural and sideline products and raw materials from the hinterland, to guarantee livelihood consumption, and to guarantee the development of production. The SEZ's, in gearing to the international markets, must rely on the hinterland markets. If they are not rich in industrial production to sell domestically, the SEZ's will have difficulties in developing trade and tourism, and financial income will fall short. If products are not radiated inward, it will be difficult to radiate outward and the SEZ's will not be able to become "pivots" or double radiating "fans." In accordance with the actual conditions of the international market and the labor, personnel, and materials conditions of the nation and the SEZ's, we cannot demand that the SEZ's be only outward-oriented enterprises and that they sell all their products abroad. Our technological imports should be diverse on many levels. Some will be internationally advanced, that is, the world's most advanced, while others will be advanced by domestic standards. Only in this way will it be possible to create a strong industrial base and truly form modern socialist productive forces. At the same time, there should be no absolute boundary between foreign sales and domestic sales. When the international market competition is extremely fierce and price changes are irregular, if sales avenues are open, products intended for domestic sale can also be exported. On the other hand, if what were originally advanced export products become outmoded, what originally sold well can in a short time become a slow seller and end up being stockpiled. In such a case, it is difficult to avoid having some SEZ products become domestic sales products. If we stifle the avenue of import substitution, it will be difficult to quickly develop the industrial production and overall economy of the SEZ.

In the past, some people used the preferential policies of the SEZ's to conduct illegal purchases and sales at progressively higher prices and to sell foreign goods at cheap prices. This not only harmed national industry, but also brought harm to the SEZ's, resulting in them putting one-sided stress on production for domestic sales. This produced an inward-oriented economic structure and was not beneficial to the development of an outward-oriented economy. However, we cannot oppose domestic sales of SEZ industrial products because of this and thereby negate the necessity of SEZ's engaging in some import-substitution industries. When SEZ's produce industrial products to replace products which originally or still have to be imported, we likewise cannot say that they cannot import any of the raw materials or components. However, the SEZ enterprises should not engage in simple assembly. Through a high degree of processing, they must provide their own products. It is wrong to make use of the name "import substitution" to engage in the resale of foreign products. However, it is also wrong to use "opposition to illegal purchases and sales at increased prices" to resist import substitution policies. We should, as much as possible, allow the SEZ's to produce the products which the hinterland needs to import, in order to replace those imports. This is an effective and necessary measure by which to support SEZ industry. It is also an important avenue by which the whole nation can support the SEZ's and the SEZ's can serve the whole nation.

The SEZ's must develop import substitution industries, but they must not take this as their primary orientation. It is only a measure for the early stage of industrial development. The most important thing is to aim at the international market, develop outward-oriented industry, and produce a large volume of products for sale abroad. Only in this way will it be possible to motivate the SEZ's to develop outward-oriented economies. Some people believe that not only should we develop some import-substitution industries, but that there should also be an import-substitution stage of development. They believe that while we do not have the industrial productive forces capable of completely doing away with imported products, we cannot begin to talk about foreign sales of products developing an export-orientation. This viewpoint is worth discussion. Our SEZ's have cast rear areas. Our nation's industry, agriculture, and commerce are developing quickly, and we only need to correctly use the policy of exchanging a market for technology in order to be able to draw in foreign funds and foreign technology. Through the substitution of hinterland exports, combining advanced technology and management experiences with our nation's rich material resources, and fully bringing into play the enthusiasm of the laborers and the advantage of relatively low wages, it is fully possible that we can produce superior quality products which can enter the world markets. In 1984, Shenzhen exported $210 million worth of industrial products, with 33.4 percent of sales directly entering the world market. This shows that there is latent potential for earning foreign exchange from SEZ industrial exports, and they are still able to develop outward-oriented industrial products and industries in quite a large way. In fact, SEZ's cannot first go through an import-substitution stage of industrial development. First, the question of foreign exchange balance could not be resolved. If the SEZ's sell certain products to the hinterland for foreign exchange, these products could be called import-substitution products, but the domestic market would be very narrow. However, if the products are not sold for foreign exchange, but only sold to replace the hinterland imports, while it would eliminate imports of foreign goods and while it could be considered import-substitution and the market would be very broad, the SEZ's would not be able to obtain, for their construction, the foreign exchange which would be forthcoming from the export of industrial products. Not only would there be difficulties in attracting advanced technology, but the circulatory revolution of the entire economy would be obstructed. The experiences of practice over the last few years have told us that if we rely on domestic sales to promote and spur on the development of the SEZ economy and even the overall economy, it will give rise to inward-oriented production and economic structures. Also, domestic trade structures will be inflated and export trade functions will not be realized. This does not accord with the strategic demands in the building of SEZ's and will increase the difficulties in changing towards an outward-oriented economy. Our SEZ's must leap over the traditional import-substitution stage as far as possible and develop export-oriented industries as quickly as possible so as to form economic systems and setups which mainly have an outward orientation.

We Must Also Institute Planned Guidance in the Development of SEZ Industries

The building of SEZ's is a part of our nation's socialist modernization and cannot be divorced from the planned economy. However, because of their connection and relationships with international capitalist markets, the market economy component is greater. How we are to appropriately link the planned economy with the market economy has become the crux of the success or failure of SEZ development. In their imports, SEZ's must consider themselves first, and these imports must be in accordance with the strategic goals and overall patterns of the SEZ. However, they must also proceed from the actual situation in the international market, and cannot proceed on the desire of one side alone. In regard to export-substitution industries, it is not just a matter of a relationship between the SEZ and foreign businesses. Rather, it is necessary to take into consideration both the domestic and the international markets. It can be said that SEZ import-substitution is a means by which both sides of the boundary gain economic benefits by effectively serving the economic development of the hinterland. It is also a means by which to promote the development of both sides' industry as well as the development of the overall economy. This requires that we proceed from the actual situation of the hinterland and take the hinterland economic development plans into full consideration. Only in this way will it be possible to strengthen planned guidance, reduce blindness in import- and export-industry development, and improve economic benefits.

The SEZ's are market economies under planned guidance. The SEZ markets should be arranged in a planned way. The requirement is that they are planned, but their systems and methods should be different. In general the planning should be guidance planning. The SEZ's, in gearing to the international capitalist markets and relying on the hinterland socialist markets, are the exchange points and meeting points of different domestic and international economies. Planning thus needs to be more flexible, more farsighted, and more scientific. This certainly does not reduce the requirement for or the role of planning. Thus, SEZ planning should be calculated and appropriate planning, and there should not be any sort of mandatory targets handed down in regard to the industrial, agricultural, and commercial enterprises and regard to overall economic development. Rather, we should allow enterprises and departments to freely select production projects and to make decisions in an autonomous way, on the basis of government planned guidance and market changes.

The central link in a market economy under planned guidance is to effectively achieve the planned targets and demands by implementing them through market regulation. The key to this lies in consciously and flexibly using various types of economic levers. The various SEZ economic levers such as pricing, taxation, information, wages, and bonuses must be in the hands of the government. However, the SEZ is subject to great international economic influences and the markets have even greater fluctuations. Thus, the use of the economic levers must be more resolute and more flexible and must have more capacity to meet emergencies and to accord.

The SEZ's are the pivots of the domestic and foreign economies, and thus inevitably will be subject to the challenges of market competition both at home and abroad. In such pincer-attack competition, how are we to ensure that the SEZ's import and export-substitution industries see great development? I believe that important countermeasures are strengthening planned guidance and the development of market competition within the SEZ's. If the SEZ's want open markets both at home and abroad and want to compete domestically and internationally, these SEZ's must first be open and competitive themselves. If, within the SEZ's, departments or enterprises have economic monopolies, the SEZ's will not be able to take a leading and preferential position in competition either at home or abroad.

An important characteristic of the SEZ's is that they should be more fully competitive than the hinterland markets. If the SEZ's are to accord with the demand to be more fully competitive, then the import and export industries should mainly use joint-fund (including pooling funds with foreigners, pooling funds with domestic partners, and many-sided joint investment) integrated enterprises, medium-scale and small-scale enterprises, and produce light industrial products. However, I believe that it is more important that the various productive forces factors such as funds, labor, technology, and even the factories and land be allowed, under planned guidance, to flow freely. Only when the various production force factors are all allowed to flow relatively freely and the various sides have fairly full freedom of choice will it be possible for the enterprises to be fully competitive. The economies of the SEZ's must have more fully competitive banking systems, labor wage systems, technological patent transfer systems, real estate management systems, and so on. The SEZ's should create conditions whereby their enterprises can become more competitive, and give their enterprises more autonomy. At the same time, the enterprises should have more economic responsibility and, in principle, economic guarantees should be abolished so that the enterprises, in autonomous competition, either sink or swim. In order to accord with this situation, the SEZ's should as early as possible draw up enterprise competition and bankruptcy laws, so as to appropriately resolve the economic questions of enterprises both during competition and if they go bankrupt. This will promote the raising of the level of production operations, promote the circulation and joining of the various production factors, and thereby realize the renewal of enterprises.

Everything has two sides, and competition can produce blindness and negative effects. Thus, at the same time as encouraging competition, we must strenghten planned guidance and leadership so that industrial development further accords with the demands of the strategic goals of the SEZ and further increases competitive abilities.

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CSO: 4006/936

SHENZHEN IMPROVES COMMUNICATIONS, TRANSPORTATION

HK310500 Beijing ZHONGGUO XINWEN SHE in Chinese 0930 GMT 30 Mar 86

[Report: "Shenzhen to devote further efforts to construction in posts, telecommunications, and transportation this year" -- ZHONGGUO XINWEN SHE Headline]

[Text] Shenzhen, 30 Mar (SHONGGUO XINWEN SHE)--The department concerned in Shenzhen City is making an effort to complete the double track project of the Guangzhou-Shenzhen railway within this year and to install air-conditioning equipment in all passenger trains on this railway.

At a work conference on telecommunications and transportation on 27 March, Deputy Mayor Zhou Siwu mentioned the plan. He also said that this year, passenger train services between Guangzhou and Shenzhen will increase from 14 round trips a day to 17 round trips a day.

Zhou Xiwu said that Shenzhen's communications will be further improved. A telecommunications central building will be completed this year and telephone exchanges will be built in Shangbu, Nantou, and Shatoujiao.

He said: The city plans to increase local telephone capacity to 11,000 this year and is preparing to introduce a computer-controlled telephone exchange with a capacity of 25,000. In addition, Shenzhen will increase telex lines 1,024 this year.

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CSO: 4006/937

BRIEFS

XIAMEN CANCELS LICENSES--Xiamen, 28 Mar (ZHONGGUO XINWEN SHE)--The ordering and consolidating trading companies in Xiamen has entered the stage of reorganization. According to statistics, business licenses of 123 companies (centers) have been cancelled. Those companies whose business licenses have been cancelled have neither funds, a place of business, and facilities nor regular operating hours and employees. Some of them have even violated the law in their business activities. For example, the registered capital of a company was 12 million yuan, but its actual capital was only 80,000 yuan. It successively borrowed more than 100 million yuan from banks, of which 14 million yuan has yet to be repaid. Since the start of its business, the company mainly dealt in commodities such as cameras, kinescopes, polyester fibers, and so on. Its business scope was greatly different from that approved in the past. As a result, a large quantity of goods was kept in stock, and the company was heavily in debt. The industrial and commercial administrative bureau has now cancelled its business license. [Text] [Beijing ZHONGGUO XINWEN SHE in Chinese 0202 GMT 28 Mar 86] /12624

CSO: 4006/937

ROLE OF LABOR SERVICE COMPANIES IN EMPLOYMENT OUTLINED

Beijing BAN YUE TAN [SEMI-MONTHLY TALKS] in Chinese No 18, 25 Sep 85 pp 28-29

[Article by Chen Shuquan [7115 2579 0356]: "A Nationwide Employment Network"]

[Text] At the National Labor Service Company Products Fair held in Beijing during early autumn, the correspondent saw clothing, shoes and hats, foodstuffs, furniture, and handicrafts as well as home electrical appliances and mechanical instruments in a dazzling array. Some of the outstanding products made it difficult for one to imagine that they had come out of labor service companies. These products products gave collective expression to the labor service companies achievements in having placed urban and small town youths awaiting employment and the organization of economic activities.

On the occasion of this fair, Chairman Li Xiannian sent a letter to the Ministry of Labor and Personnel in which he noted that since founding throughout China of labor service companies, each of the companies has done a lot of work and has scored remarkable achievements." This has actually been the case. For the past several years, national labor service companies have grown into more than 38,000 offices, and more than 8 million people have been employed or have received training at labor service companies. They have used a combination of administrative and economic means to undertake the overall employment of labor, the administration of workers hired temporarily, pre-employment training, and the organization of economic activities. Not only have they trained large numbers of people for the country, but they have also created wealth for the country. Statistics show that a total of 25.7 billion yuan as having been produced by the labor service companies nationwise. Profits amounted to 2.27 billion yuan and 1.07 billion yuan have been paid in taxes.

Labor service companies are a new form of social labor organization suited to China's circumstances. They are a pioneering undertaking on the labor front that has come about since the 3rd Plenum of the 11th CPC Central Committee, Following the smashing of the "gang of four," faced with the damage done to the national economy, it was clearly impossible for the state to place persons awaiting employment in state-owned enterprises. It was under these circumstances that the labor service companies were born to meet the needs. Following the founding of labor service companies in 1979, they adhered to self-reliance, reform and innovation in a "three way" policy of acting as a go-between with labor units for employment, voluntary organization to find employment and finding jobs for oneself, blazing a pioneering road for employment. Today, the labor service companies cover all trades and industries and all cities and towns in the country, and they have preliminary formed networks. In some places, they have begun to extend into villages and small towns. This plays an important role in China's social order and economic development.

During the past several years, labor service companies have played a major role in arranging labor employment. In addition to recommending people for employment, labor service companies have steadily expanded the organization of economic activities. They already have 210,000 production, supply and marketing, and service units which have arranged the employment of 5.57 million people. Had the more than 5 million people for whom labor service companies provided positions been placed in state-owned enterprises, several tens of billion yuan would have been needed for fixed assets alone, and obviously this would have been difficult to do. The labor service company operated by Zhengzhou municipal plant and mining enterprise in Henan Province has placed 150,000 youths and surplus industrial plant personnel since 1980, and has developed more than 1,900 small plants and service network outlets including machine processing industries, businesses, food industries, service trades, repair industries, transportation industries and construction materials industries with more than 500 different kinds of products. During the past 5 years output value and profits of labor service companies throughout the city have averaged an annual respective 57 percent and 73 percent speed of development and they currently hold more than 200 million yuan worth of fixed assets.

Labor service companies have adopted a program of training first followed by employment to raise the quality of the workforce. There are presently 778 training centers in the whole country and training classes of various kinds are found in every area and every trade and industry in the country. In 1984, labor service companies throughout the country trained 1.42 million people, which was 40 percent of the number of personnel who found jobs that year. In Jiangsu Province, 11 prefecture level cities and two county level cities set up labor employment training centers, and half of the counties in the province have set up training guidance stations. Quite a few neighborhoods and small towns also operate training classes. Since 1979, more than 3,300 training classes in the province have been run for 1/2 year or more and more than 200 specialized kinds of work have been set up to train more than 130,000 people in things such as vehicle operation, fitting, milling machine operation, planing machine operation, cooking, embroidery, nursing, horticulture, and installation and repair. This included more than 70,000 people who were trained and employed in 1984, or 64 percent of the total number of people needing training and jobs that year. The urban areas and counties that make up Suzhou, Wuxi, Nanjing, Yancheng, Changzhou and Yangzhou set up a multi-level, multi-channel and multi-type training and employment network.

To meet needs in development of the economic situation, labor service companies in every jurisdiction have shifted from the former practice of only sending temporary workers to enterprises to providing all sorts of labor and opening labor markets. Labor service companies have also shifted from the former just sitting and waiting to recommend someone for a job to going out actively to get market information and find opportunities for the labor force. At the present time, labor service companies throughout the country annually organize temporary jobs for more than 1 million people. In Guangdong Province, labor service companies in all prefectures and cities have gone to Shenzhen to organize the management of temporary workers and currently 230,000 people have gone into the Shenzhen special zone to carry out construction and production.

The creation and expansion of labor service companies has changed the former situation in which labor departments individually used administrative means to arrange employment in an all-embracing way. Through the economic and training units and the labor brigades they have organized, labor service companies have begun to play the role of a "reservoir" for social workforces, handling and regulating the demand for some labor.

With the development of the situation in China, the labor service companies have also undertaken the placement of surplus employees from enterprises and the organization of surplus rural labor, shifting them into non-agricultural work. Now, some labor service companies not only serve to get jobs in cities for surplus rural labor, but also provide services to township and town enterprises and specialized households in getting workers. In 1984, Nanhai County in Guangdong Province arranged for the transfer to other industries of 210,000 members of the rural workforce.

Labor service companies are not by any means stopgap measures taken to ease the current employment contradiction, but rather are a part of long-range plans. As reform of the economic system proceeds and the Seventh 5-year Plan is carried into effect, the tasks for which labor service companies are responsible will remain heavy and require the leadership of all quarters and the support of the masses so that this new activity will flourish and develop and play a greater role in the building of the four modernizations.

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CSO: 4006/181

JOURNAL VIEWS REFORMS IN GUANGZHOU RAILROAD BUREAU

HK140924 Guangzhou KAIFANG in Chinese No 3, 8 Mar 86 pp 33-35

[Article by Huang Shaojin [7806 4801 6651], Cai Dongshi [5591 2639 1102], and Zhang Yueliang [1728 6460 5328]: "Let the Traffic Flow Freely Through the 'Great Artery'"]

[Text] An outline of reforms in the Guangzhou Railroad Bureau has promoted the healthy development of reforms and significantly boosted its carrying capacity by conducting education in lofty ideals and discipline. This is a straightforward answer to the question. The bureau is one of the nation's organizations engaged in the railroad industry which is involved in reform experiments. Since the reforms were introduced in 1982, the bureau has stressed the importance of fostering lofty ideals and observing discipline, thus accelerating the reforms. Generally without asking for more state investment, the bureau managed to increase its total volume of transport from 43.4 billion ton-kilometers in 1981 to 67 billion ton-kilometers in 1985. It has thus made outstanding contributions to the free flow of traffic through the motherland's south-north great artery. The bureau has been selected by the State Economic Commission as an advanced enterprise for 3 successive years and as an outstanding national enterprise advanced in carrying out political work on the industrial and communications front.

The Needs of the State Are the Ideals of the Enterprises

The Guangzhou Railroad Bureau administers mainly the southern section of the Beijing-Guangzhou Railroad, of which the 580-km-long Hengyang-Guangzhou section is a single-track line whose hauling capacity has been fairly poor for years. With the implementation of the policy of opening up to the outside world, the line's volume of transport has drastically increased. The Pingshi station where Hunan and Guangdong provinces meet has become the focus of the nation's attention and the greatest "bottleneck" of the entire railroad. In 1981 the number of heavily loaded carriages which ran southward through the Pingshi station each day totaled just 740. Goods totaling 3 million tons needed by Guangdong Province every year could not be shipped in and a total of 1 million tons of its goods failed to be transported out of the province. Some $500 million worth of Hunan Province exports alone could not be transtransported southward. Passenger cars were generally more than 100 percent overloaded. When inspecting the station, Comrade Wan Li, vice premier of the State Council, decided to raise funds totaling 400 million yuan for investment and to spend 3 years increasing the carrying capacity by 2 million tons. Thus, 800 heavily loaded carriages were expected to run southward through the Pingshi station. Later on, the state decided to build a multiple track and not to revamp the previous line. However, the state faces financial difficulties building the track and therefore it will not be completed and put to use within a short time. Moreover, the construction of some sections of the railroad are further hindering the carrying capacity. These bottlenecks affect the entire bureau's transport development.

The party committee of the Guangzhou Railroad Bureau organized cadres at three levels to make an analysis of the situation of the reforms. They held: The principal problem in the railroad sector is that the carrying capacity of railroad does not suit the needs of the state's economic construction. The enterprises must have high aspirations and regard the needs of the state as their lofty ideals. The bureau's reform efforts should be focused on increasing the carrying capacity and lettig the traffic flow freely through the south-north great artery by straightening things out in the Pingshi station.

Having gained a clear picture of the orientation of the reforms, the leadership and the rank and file of the entire bureau made concerted efforts to tap potential and increase the carrying capacity. Bureau leaders led engineers and technicians in investigating the conditions of the nearly 1,000-km-long railroad line and spent 21.9 million yuan from its officially owned funds in repairing 15 merger [hui rang 2585 6245] stations or posts at dozens of selected appropriate areas. This has increased the number of trains passing through the Pingshi station from 23 to 39 pairs. The number of south bound heavily loaded cars passing the station has increased to at least 1,000. To increase the hauling tonnage of the trains, together with locomotive attendents, bureau Director Yang Qihua made over-haulage experiments in a steep and sharply bent line in defiance of dangers, thus increasing the hauling tonnage of the south bound trains from 25 to 28 million tons and that of the north bound trains from 22 to 26 million tons. This means that an additional 4,214 trains use that single-track line each year.

In order to solve the problem of difficult access to trains, the Guangzhou Railroad Bureau tapped potential in transport and opened up more through passenger train-services between Guangzhou and other cities such as Fuzhou, Hangzhou, Nanning, Wuhan, Zhengzhou, and Xian. In light of the overloaded running of passenger trains through the Beijing-Guangzhou Railroad, they tried in every possible way to lengthen the sidetracks [gu dao 5140 6670], platforms, and rainsheds of the stations and to raise the driving skills of the engineers. The formerly 20-carriage 15/16 and 47/48 express trains each had five more carriages added, becoming the longest passenger trains running in China. An additional Guangzhou-Changsha express train travels on the line every day, and this express train can carry an additional 400,000 passengers a year.

Through 4 years of hard struggle, the Guangzhou Railroad Bureau has increased the carrying capacity of the Hengyang-Guangzhou single-track line by 4 million tons, doubling the figure demanded by Comrade Wan Li, by relying on tapping potential among the internal departments of the bureau and against a background in which the state had basically not made any investment. The bureau's total volume of transport has increased 150 percent over the figure prior to the reforms.

Rely on Policies and Not "Countermeasures"

The Guangzhou Railroad Bureau cherishes very much the power delegated by the Ministry of Railways to it in finance and management. They have correctly used the power to invigorate enterprises and boost production, and never capitalized on the loopholes in our policies for their own gains or indulged in "countermeasures."

Among the organizations engaged in the railroad industry throughout the nation, the Guangzhou Railroad Bureau took the lead in introducing such system as "contracting responsibility for progressively increased profits," "contracting responsibility for the total amount of wages," "supervising target attainments set according to related policies," and "contracting responsibility for the results in implementing safety measures." All these measures have fired the enthusiasm of the cadres at various levels and the people for operations and played a positive role in ensuring the increased carrying capacity and the ever increasing income. The profits earned from diversified undertakings area shared among the station section [zhan duan 4541 3008], the subbureau, and the bureau in a 4-3-3 ratio. With the introduction of the system of replacing profit delivery with tax payments, members of the leading body of the Guangzhou Railroad Bureau once had differing views on sharing proportions. Some comrades maintained that according to the new policy stipulations, 55 percent of the profits should be handed over to the state in the form of income tax, while others contended that the profits should be shared at the previous ratio, suggesting that the companies run concurrently by the railroad authorities be operated in the name of "the educated youth," and that in this way the companies could be exempted from taxation. The party committee of the bureau achieved a consensus in thought through discussions: If the small boss cheats the big one, the state will be in a mess. Under the jurisdiction of the bureau there are numerous enterprises which are either transprefectural or transcounty. Moreover, they have a myriad of economic ties with local authorities. If each enterprise works out its own countermeasures in dealing with the state, the confused situation will be out of hand and the reforms will be ruined in a moment. They insisted on handing over 55 percent of the profits to the state as income tax and sharing the remaining sum among themselves.

In view of serious carriage shortages, the Ministry of Railways assigned mandatory planning to railroad bureaus on the turnover time of carriages and stipulated that the railroad bureaus which failed to meet the quotas assigned would be punished by deduction of 5 percent of their retained profits. After the Guangzhou Railroad Bureau removed the bottleneck of the Pingshi station, the southbound trains passing through the station increased in number, but the unloading capacity of the Guangzhou area was inadequate. As a result, the bureau failed to fulfill the quotas assigned by the ministry for the first half of 1985, thus using more carriages for other purposes. Handicapped by some objective conditions, it was tremendously difficult for the bureau to fulfill the quotas. Moreover, the amount of fines imposed for the use of more carriages for other purposes was much greater than that of income from the use of such carriages. Some people suggested that we simply ignore the quotas and sacrifice insubstantial money for the sake of big money. The bureau's leadership was opposed to the practice of capitalizing on the loopholes of state policies and using more carriages for private gains, because it would undermine the plan of transport for all railroads under the jurisdiction of the bureau. Supported by the Guangdong provincial government, they spent 3 million yuan which was drawn from their officially owned funds and 3 million yuan in loans on repairing goods yards and storehouses and borrowed cars from local enterprises specially for unloading use. By the end of September, the turnover time of carriages had been kept under planned levels and the number of carriages used for other purposes a day was 280 less than the previous figure.

Save Every Penny, Quicken the Pace of Modernization

In the execution of the reforms, the Guangzhou Railroad Bureau has paid attention to careful calculation and strict budgeting and the sparing use of funds and has accumulated a big sum of money penny by penny, thus accelerating the modernization program. The leading organs of the bureau have taken the lead in cutting down expenses and investing in production. The amount of the bureau's foreign exchange earnings constitutes 70 percent of the total amount of foreign exchange earnings of the organizations engaged in the railroad industry throughout the country. The foreign exchange under the disposal of the bureau is increasing year by year, but its leaders have never used it to buy compact cars. They still take their "old Shanghai" cars for business use. Not long ago, the bureau was given a new Shanghai-made limousine. Over the last few years, the flow of passengers at the Shenzhen station has drastically increased. Its former offices have been used to accommodate tourists and its temporary offices are overcrowded and badly ventilated. Its general service department bought 11 air conditioners to improve conditions in the offices. After discussions, the station's leadership decided to install all the air conditioners in the waiting rooms and workshops.

It has become a regular practice at the Guangzhou Railroad Bureau to save every penny for attaining a long-range target under which every sleeper, every bundle of cotton yarn, every shovel of coal, or every drop of oil is not casually wasted. According to incomplete statistics, since 1982, the bureau has saved 210,000 tons of coal, 63,700 tons of oil, 10.66 million kilowatt-hours of electricity, and 4,789 tons of rolled steel, and recovered more than 81,000 tons of waste steel and iron.

In the last few years, the prices of energy resources such as coal, oil, electricity, and other raw materials have been considerably readjusted.

As a consequence, the Guangzhou Railroad Bureau has had to increase its expenditures by 27 million yuan a year. However, against this background, instead of being raised, the bureau's transportation costs were reduced from 95.66 yuan for every 10,000 ton-kilometer in 1982 to 89.95 yuan in 1984, an annual average decrease of 2 percent. This extremely rare result is closely connected with the intensive efforts which the bureau has made to practice careful calculation and strict budgeting and to save every penny.

Once it is certain of success, the Guangzhou Railroad Bureau will not hesitate to heavily invest in the projects vital to accelerating the modernization of railroads. In 1982 when the bureau's financial situation was strained, in view of its backward safety and security equipment, it used 17 million yuan or more, including 1 million, to buy safety equipment and to equip all its trains with "four key safety items," namely, automatic warning devices, automatic stop devices, wireless train dispatching systems, and small trainmaster transceivers. They have played an important role in ensuring driving safety and safeguarding the passengers' lives and the state's property. At midnight on 20 December 1982, on the No 47 train leaving Hengyang for Liuzhou, a desperado who was bent to create a train accident forced open the door of the locomotive driver's cabin with gun in hand and shot dead the driver and then chased and killed the assistant driver. The train, with some 1,000 passengers aboard who were sleeping soundly, was running on at a speed of 90 kilometers an hour without a driver. At this critical moment, the programs of the train's automatic warning and stop devices began working and the train stopped running. Learning that his deeds were about to be brought to light, the bandit killed himself with his gun. A serious accident which could have destroyed the train and killed the people aboard was thus prevented. Not only were the passengers' lives saved, but the bureau also avoided a huge loss amounting to 17 million yuan or more.

Be Strict in Attending to Party Affairs and Improve the Prevailing Practices of the Railroad Sector

The exemplary and supervisory role played by party organizations at various levels is contributory to the healthy development of the reforms in the Guangzhou Railroad Bureau.

One measure taken by the bureau's party committee in strictly handling party affairs in the course of the reforms was prohibiting cadres who were party members from seeking irrational payments by taking advantage of the reforms and abusing their power. The bureau's formal decree stipulates that cadres at all levels will be given a rational amount of bonuses according to the results of their actual labor. They are not allowed to get a reward without deserving it or to ask for any bonuses which staff members and workers are entitled to receive, and they are prohibited from receiving any "money wrapped in red paper." In the distribution of rational bonuses, they should follow these three stipulations: 1) The distribution of rational bonuses should be reported to the higher authorities for examination and approval; 2) all bonuses distributed should be entered into the account book; and 3) detailed figures of bonuses distributed should be made public. Two has been reported that the bonuses the bureau's leading cadres got every year were slightly higher than those of other offices' cadres but lower than those of the subbureau leading cadre and much lower than those of the locomotive attendents working at the frontline. The bureau has also instituted a system under which assessment of cadres is carried out by the staff members and workers at regular intervals, thus playing a role in supervising the cadres.

The Guangzhou Railroad Bureau, which has 151 party committees, 2,014 party branches, and 26,562 party members, can hardly avoid making mistakes or errors in carrying out the reforms. What is commendable is that once discovered, the party committee promptly investigates and deals with mistakes before they lead to big ones. On one occasion, a deputy director of the Guangzhou subbureau led dozens of cadres in attending a banquet and accepting cigarettes and blankets given by a local mine as gifts. After being informed of the malpractice, the bureau's party committee promptly investigated and dealt with the case and criticized the wrongdoings by circulating a notice of criticism throughout the bureau. The master and other leading cadres of the Zhuzhou station were sternly punished by the bureau's party committee for retaining profit without authorization and indiscriminately distributing bonuses and allowances in cash and in kind.

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CSO: 4006/938

UK TO SEEK SEPARATE GATT STATUS FOR HONG KONG

HK111215 Hong Kong SOUTH CHINA MORNING POST in English 11 Apr 86 p 1

[By Michael Chugani]

[Text] British embassies around the world have been ordered to "soften up" on foreign governments who may object to Hong Kong becoming an independent member of the global trading organization, GATT.

Britain and China have already reached a compromise allowing the British to sponsor Hong Kong as a seprate member of GATT (General Agreement on Tariffs and Trade), but both sides fear some GATT members may object to the arrangements reached by London and Beijing for Hong Kong's new status in the United Nations trade organization.

Uppermost in the minds of British and Chinese diplomats is the worry that some member countries may respond negatively when the exact arrangements for Hong Kong's future status in GATT are publicly announced.

To avoid the possibility of such adverse reaction being expressed publicly, a softening-up exercise has started to win over third countries.

On the hard-sell target list are Hong Kong's major trading partners within the 90-member GATT.

At the same time, the Beijing leadership, having compromised on a question of sovereignty by allowing Britain to sponsor Hong Kong for GATT, is making sure it also reaps credit by playing a visible role when Britain announces the arrangements for Hong Kong's membership.

It is understood that Beijing will issue a parallel announcement welcoming and supporting Hong Kong's future separate role in GATT.

The Chinese leadership will also adopt a benevolent posture by publicly stating Beijing's intention to allow Hong Kong's British-sponsored GATT status to continue after 1997 when it resumes sovereignty over the territory.

As a British territory Hong Kong is now a GATT member through Britain which itself is a member as part of the European Economic Community.

China--having stayed out of GATT for more than 30 years--wants to rejoin. Even if this happens, the feeling is Beijing's restrictive trade policies may act against Hong Kong should it become part of GATT under China's wing.

After much haggling Britain and China therefore agreed at the last meeting of the Joint Liaison Group--a diplomatic contact group set up to oversee the transfer of sovereignty--held here last month, that the British should sponsor Hong Kong as a separate member.

Even though only sovereign states can be full independent members of GATT, under the rules a territory such as Hong Kong can nevertheless be a separate member if the metropolitan power (in this case Britain) declares it a separate customs territory controlling its own trade.

While fine details of the agreement between Britain and China have yet to be announced, it will amount to Britain declaring Hong Kong a separate customs territory and acting as sponsor for GATT membership.

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CSO: 4020/281

CONTINUED DECLINE IN HONG KONG SHIPPING NOTED

OW040759 Beijing XINHUA in English 0716 GMT 4 Apr 86

[Text] Hong Kong, 4 Apr (XINHUA)--Shipping magnate Y.K. Pao has decided to buy out the Eastern Asia Navigation Co. in an attempt to retrieve Hong Kong's shipping industry from further decline, according to the ASIAN WALL STREET JOURNAL.

He has proposed that the Pao family would buy out the remaining 23.76 percent of the shares of the Eastern Asia Company which owns a fleet of 20 vessels totaling more than 3 million deadweight tons.

If Pao's share-purchase bid is successful, Eastern Asia will become a private Pao holding.

Market analysts expect Eastern Asia gradually will sell most of its ships, which have an average age of 10 years, and replace them with newer ships to increase its competitiveness.

During the past several years, the Pao family has sold more than 100 ships, trimming its combined public and private fleet to about 80 vessels.

Others also see the dismal prospects in the shipping industry. Hutchison Whampoa's Managing Director Simon Murray said yesterday that the company was now out of shipping interests completely.

Jardines Matheson Holdings, another commercial firm with a long standing history in Hong Kong, too, terminated its shipping business last month. Its shipping fleet had been trimmed from its peak of 35 vessels to six by the end of 1985.

The same also happened to the Swire Group which said in its recent announcement last week that the group's offshore services division remained depressed, with reduced profits, while losses were incurred in the shipping and dockyard operations.

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CSO: 4020/281

FIGURES SHOW DECREASE IN EXPORTS, IMPORTS

HK140859 Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 14 Apr 86 p 8

[Text] There was an overall decrease of 4 percent in total exports according to the Census and Statistics Department report released on Saturday.

The volume of domestic exports and re-exports declined by 5 percent and 4 percent respectively in January 1986 as compared with the same month last year.

Imports decreased by 3 percent in volume. The prices of domestic exports and re-exports both dropped by 1 percent, so total export prices dropped by 1 percent.

However, prices of imports rose by 1 percent. As a result, the trade index (expressed as a ratio of the total export price index to the import price index) dropped by 2 percent.

Prices are based on unit values which do not take into account changes in the composition or quality of goods traded, except for some selected commodities for which specification price indexes are compiled. The volume of trade is derived from trade values by discounting the effect of price changes.

As trade figures for the beginning months of a year tend to be affected by seasonal factors, it is more useful to consider the figures for the last three months together. Comparing the three months ending January 1986 with the same months in 1985, the volume of domestic exports increased by 2 percent, while that of re-exports increased by 4 percent, so that a total export growth of 3 percent was recorded.

The volume of imports also rose by 3 percent. Prices of domestic exports and re-exports dropped by 3 percent and 1 percent respectively and import prices dropped by 1 percent.

Extending the comparison to the 12 months ending January 1986 with the ones ending January 1985, the volume of domestic exports decreased by

6 percent, while re-exports increased by 21 percent, giving an increase of 4 percent in the volume of total exports. The volume of imports rose by 5 percent.

Over the same period, prices of re-exports increased by 1 percent, while that of the domestic exports dropped by 1 percent and imports dropped by 3 percent.

The changes in the value, unit value and volume of domestic exports by commodity group for January 1986 as compared with January 1985 are indicated below in the table.

Domestic export prices of most commodity groups fell in January 1986 compared with January 1985. These included radios of all kinds (-9 percent); textile fabrics (-8 percent); domestic electrical appliances (-8 percent); textile yarn and thread (-5 percent); metal ores and scrap (-5 percent) as well as metal manufactures (-4 percent).

Increases in domestic export prices were, however, recorded for electronic components (up 1 percent).

The domestic export volume of many commodity groups decreased in January 1986 compared with January 1985, the more notable ones being domestic electrical appliances (-19 percent); metal ores and scrap (-18 percent); radios of all kinds (-14 percent); travel goods, handbags and similar articles (-12 percent) as well as electronic components (-11 percent).

However, increases in domestic export volume were recorded for textile yarn and thread (up 17 percent); footwear (up 17 percent); watches and clocks (up 15 percent); textile made-ups and related articles (up 9 percent) as well as textile fabrics (up 4 percent).

Import prices of some end-use categories decreased in January 1986 as compared with January 1985, ranging from 2 percent for raw materials and semi-manufactures to 7 percent for fuels. On the other hand, the import prices of capital goods and consumer goods rose by 10 percent and 4 percent respectively.

Many of the major imported foodstuffs increased in volume in January 1986 compared with January 1985. Significant growth was recorded in live poultry; fruit; fish and fish preparations; vegetables; sugar; meat and meat preparations; milk, butter, cheese and eggs as well as soybean oil, peanut oil and lard. However, decreases in import volume were registered for tea and coffee; rice as well as cattle.

Over the same period, the import volume of many consumer goods decreased, the more substantial ones being radios, television sets, record players, records, tape recorders and amplifiers; household type electrical appliances; passenger motor cars; alcoholic beverages; cameras, flashlight apparatus and photographic supplies, as well as tobacco products. However, increases in import volume were registered for watches; clothing as well as miscellaneous made-up textiles.

The import volume of many raw materials and semi-manufactures rose in January 1986 compared with January 1985, including silk fabrics; wood, lumber and cork; watch and clock movements, cases and parts; paper and paper-board; dyeing, tanning and coloring materials; cotton yarn and thread; clay and refractory construction materials, building materials, etc, except glass; yarn of man-made fibers, as well as fabrics of man-made fibers.

Decreases in import volume were noted for wool and other animal hair; thermionic cathode valves and tubes, diodes, transistors and electrical microcircuits; man-made fibers; base metals, excluding iron and steel as well as fabrics of wool and mixtures.

Imports of fuels dropped by 34 percent in volume terms in January 1986 as compared with January 1985.

In the capital goods category, the import volume of some commodities decreased in January 1986 over January 1985, the substantial ones being office machines; transport equipment; textile machinery; scientific, medical, optical, measuring and controlling instruments and apparatus as well as construction machinery.

Increases in import volumes were recorded for electrical machinery as well as industrial machinery other than textile.

The re-export volume of most end-use categories increased in January 1986 when compared with January 1985, ranging from 1 percent for consumer goods to 27 percent 1985, 1 percent for consumer goods to 27 percent for foodstuffs. However, the volume of re-exports of capital goods decreased by 35 percent.

(See Table on following page)

TABLE

Changes in Domestic Exports by Commodity Group

(Comparing January 1986 with January 1985)

Commodity Group	Value Percent	Unit Value Percent	Volume Percent
Clothing	- 8	- 2	- 6
Textile	- 4	- 8	up 4
Textile yarn and thread	up 11	- 5	up 17
Textile made-ups and related articles	up 7	- 2	up 9
Radios of all kinds	- 21	- 9	- 14
Electronic components	- 4	up 7	- 11
Footwear	up 15	- 2	up 17
Metal Manufactures	- 5	- 4	- 1
Metal ores and scrap	- 22	- 5	- 18
Watches and clocks	up 12	- 2	up 15
Travel goods, handbags and similar articles	- 10	up 1	- 12
Domestic electrical appliances	- 25	- 8	- 19
All commodities	- 6	- 1	- 5

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CSO: 4020/281

BRIEFS

TRIPARTITE VENTURE FORMED--A tripartite venture involving companies from China, Hong Kong and the United States was formed yesterday. The company, China Capital Partners, intends to promote the flow of capital and technology to China. It has been set up by Bank of China [BOC], Hong Kong branch, Hong Kong and Kowloon Wharf and Godown Co, an affiliate of Worldwide Shipping Group controlled by Sir Y.K. Pao, and Chemical Bank of New York. BOC and Chemical Bank will each have a 35 percent equity holding in the new company, the remaining going to Kowloon Wharf. With an initial capitalization of US$3 million, the joint venture will emphasize on advisory services initially and will engage fully in promoting the flow of capital and technology to China later. The venture will promote investments, bring Chinese corporations to international debt and equity markets and arrange countertrade transactions. Mr Zhand Xueyao, director and general manager of BOC, Hong Kong branch, said the key role of the company will be to help upgrade the technology of small and medium industrial enterprises. Sir Y.K. Pao has been named chairman of the board of directors. The two vice-chairmen are Mr Donald C. Patten, chairman of the executive committee of Chemical New York Corp and Chemical Bank, and Dr Fong Shankwei, director and advisor to BOC, Hong Kong branch. [Text] [Hong Kong HONG KONG STANDARD (BUSINESS STANDARD supplement) in English 12 Apr 86 p 8 HK] /12858

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